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Nos. 73 and 74

In the Supreme Court of the United States

OCTOBER TERM, 1957.

FEDERAL MARITIME BOARD, PETITIONER

v.

ISBRANDTSEN COMPANY, INC., ET AL.

JAPAN-ATLANTIC AND GULF FREIGHT CONFERENCE, ET AL., PETITIONERS

v.

UNITED STATES OF AMERICA, ET AL.

ON WRITS OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

JOINT APPENDIX TO BRIEF FOR THE UNITED STATES AND THE SECRETARY OF AGRICULTURE AND BRIEF FOR THE FEDERAL MARITIME BOARD CONTAINING EXCERPTS FROM H. DOC. NO. 805, 63D CONG., 2D SESS.

J. LEE RANKIN,
Solicitor General,
Department of Justice, Washington 25, D. C.
E. ROBERT SEAVER,
General Counsel,
Federal Maritime Board, Washington 25, D. C.

Excerpts From Proceedings and Report of House Committee on Merchant Marine and Fisheries in the Investigation of Shipping Combinations Under H. Res. 587, 62d Cong., 2d Sess., H. Doc. 805, 63d Cong., 2d Sess.

PREFATORY NOTE

All of the briefs in this case refer, in various ways, to the so-called Alexander Report. Because of the difficulty of obtaining copies of the document, the Solicitor General and the Federal Maritime Board—although disagreeing on the merits—consider that it might be helpful to the Court to have readily available those portions principally cited in their briefs. The submission of this material, however, carries with it no implication as to its relevance or significance in the legislative history of the Shipping Act, 1916.

The Alexander Report is organized into the following divisions (with page of this Appendix indicated).

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Respectfully submitted.

J. Lee Rankin,
Solicitor General.

E. Robert Seaver,
General Counsel,
Federal Maritime Board.

446420—57——1

[3] [H. Res. 587, Sixty-second Congress, second session.]

Resolved, That the Committee on the Merchant Marine and Fisheries be, and is hereby, empowered and directed to make a complete and thorough investigation of the methods and practices of the various ship lines, both domestic and foreign, engaged in carrying our oversea or foreign commerce and in the coastwise and inland commerce, and the connection between such ship lines and railroads and other common carriers, and between such lines and forwarding, ferry, towing, dock, warehouse, lighterage, or other terminal companies or firms or transportation agencies, and to investigate whether any such ship lines have formed any agreements, understandings, working arrangements, conferences, pools, or other combinations among one another, or with railroads or other common carriers, or with any of the companies, firms, or transportation agencies referred to in this section, for the purpose of fixing rates and tariffs, or of giving and receiving rebates, special rates, or other special privileges or advantages, or for the purpose of pooling or dividing their earnings, losses, or traffic, or for the purpose of preventing or destroying competition; also to investigate as to what methods, if any, are used by such ship lines, foreign or domestic, and railroads and other common carriers, or of any of the companies, firms, or other transportation agencies referred to in this section, to prevent the publication of their methods, rates, and practices in the United States; also to investigate and report to what extent and in what manner any foreign nation has subsidized or may own any vessels engaged in our foreign commerce; also to investigate and report to what extent any vessel lines and companies, or any of the companies, firms, or transporta-

tion agencies referred to in this section, engaged in our foreign or coastwise or inland commerce, are owned or controlled by railway companies, by other ship lines or companies, or by any of the companies, firms, or transportation agencies referred to in this section, or by the same interests and persons owning or controlling railroad companies, ship lines, or other common carriers, or any of the companies, firms, or transportation agencies referred to in this section; and said committee shall further investigate whether the conduct or methods or practices of said foreign steamship lines are in contravention of our commercial treaties, or in violation of our laws, and what effect said methods and practices have on the commerce and freight rates of the United States; and shall further investigate what effect such combinations, agreements, understandings, working arrangements, and practices of railroads and our coastwise and inland shipping lines, or of railroads and such shipping lines and any of the companies, firms, or transportation agencies referred to in this section, or of railroads and oversea shipping lines, whether domestic or foreign, if any are found to exist, have on the commerce and freight rates of the United States, and whether the same are in violation of the laws of the United States.

* * * * *

[4] TESTIMONY OF MR. SIDNEY STORY, VICE PRESIDENT OF THE PAN AMERICAN MAIL STEAMSHIP CO., NEW ORLEANS, LA.

* * * * *

[35] Mr. HARDY. There is just one other question I would like to ask you, Mr. Story. I presume that in your interest you have probably consulted attorneys and gotten possibly some legal idea as to any legitimate remedy for the situation. Have you any sug-

gestion of some definite remedy, or has that suggestion been thought of by any attorneys that you communicated with?

Mr. STORY. Everybody that I have had any discussion with—business men as well as attorneys—seems to be of the opinion that the only cure for the conditions now prevailing is legislation of some character that will absolutely prevent rebating, prohibit combinations, that will penalize the shipping that engages in illegitimate combinations in restraint of trade or fosters monopoly in some form, along lines such as were discussed here this morning.

Mr. HARDY. In other words, to make it penal for a combination to penalize an individual?

Mr. STORY. Absolutely; and compel that shipping, whether foreign or domestic, to accept cargo from the shippers when offered.

Mr. HARDY. On equal terms?

[36] Mr. STORY. On equal terms, because, as I understand from conversations had with people in Brazil, they fear that if they patronize an independent, the conference line or combination will penalize them to the extent of not only refusing to pay the rebates under the contract, but refusing to take their cargoes.

* * * * *

[85] TESTIMONY OF MR. WILLIAM LOWRY

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give the stenographer your name and address and your business.

Mr. LOWRY. My name is William Lowry; address, New Orleans, La. Until lately I was the representative of the Pan-American Mail in South America, in Rio and Buenos Aires. * * *

* * * * *

[87] The CHAIRMAN. Tell the committee just exactly what you found out.

Mr. LOWRY. I found that no shipper would ship on an outside line to the United States for two reasons: If he was a large shipper he already had owing him a sum of money in deferred rebates which would more than balance any saving that he might make on a shipment on our steamer. That was one reason. The smaller shipper was afraid to ship on our vessels, because although he did not have so much money owing him in rebates, he was afraid that the next time he came along and wanted a ship, they would say, "There is no room in this vessel for you," or "We are very sorry that we have not a vessel to meet the engagement that you wish," or find some very polite way of not taking his coffee. Those are the two reasons.

* * * * * *

[94] TESTIMONY OF WILLIAM HARRIS DOUGLAS, OF ARKELL & DOUGLAS (INC.), 317 WEST SEVENTY-SIXTH STREET, NEW YORK CITY

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Douglas, you give your name and address and business in which you are engaged to the committee, please.

Mr. DOUGLAS. William Harris Douglas. I am engaged in the export business through South America and other parts of the world.

* * * * * *

[97] EXHIBIT 26

Memorandum of freight contract made this 1st day of May, 1912, between the R. P. Houston & Co., party of the first part, and Messrs. Arkell & Douglas (Inc.), party of the second part, for their entire shipments from New York to Montevideo.

La Plata, Buenos Aires, Rosario, and Bahia Blanca from date to April 30, 1913, included

Party of the first part agrees to provide tonnage for all shipments which party of the second part has for shipment, provided reasonable notice of intention to ship (I say 20 days) is given, at the following rates of freight:

	Cents
1. Harvesters, headers, binders, header binders, reapers, mowers, hay rakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction engine gang plows)	16
2. Cleaners, hay presses, grain mills, grain planters, land rollers, pulverizers	18
3. Wheelbarrows, shovels, spades, hay forks	20
Chairs, desks, and common furniture	17½
4. Windmill material	19
5. Agricultural engines and thrashers, including gas engines, traction and gang plows:	
Up to 3 tons	20
Over 3 tons	22
6. Binder twine, per bale	28
7. Machinery, up to 2 tons	20
8. Lubricating oil (till Dec. 31)	15
9. Automobiles:	
Not exceeding 2 tons (till Dec. 31)	15
Over 2 tons (till Dec. 31)	18
10. Sewing machines (till Dec. 31)	14
11. General cargo not otherwise enumerated, current rates at time of shipment.	

* * * * *

Rates on goods not covered by above agreement weighing over 4,400 pounds are to be mutually agreed to between the parties hereto.

* * * * *

It is mutually agreed and understood that this contract covers the entire shipments of Messrs. Arkell & Douglas (Inc.), estimated to amount to about [98] ——tons from New York to the River Plate ports, and shipments shall only be made by steamers designated by R. P. Houston & Co.

It is further agreed that in case R. P. Houston & Co. reduce the rates of freight to any other shipper or shippers on any of the articles above mentioned during the period covered by this contract, then Messrs. Arkell & Douglas (Inc.) to be accorded the benefit of all such reductions during the period that said rates are reduced.

R. P. HOUSTON & CO.,
Per E. HALM.

* * * * * *

[108] Mr. HUMPHREY. I have seen testimony given by the representatives of the steamship lines that they give special rates to all three of those you have mentioned.

Mr. DOUGLAS. I think that is right.

Mr. HUMPHREY. The Steel Trust, the Harvester Combine, and the oil people. The reason they give for it is that they say those interests are so powerful that if they do not do it they will put on their own vessels.

Mr. DOUGLAS. That is the selfish reason that should not obtain here, because that is what you gentlemen are here to protect us from, I hope.

The CHAIRMAN. Yes; there is no reason why they should receive that.

Mr. DOUGLAS. No; I have always claimed that a contract for freight was not taken with a view of taking it at a lower rate particularly. It is taken by the different lines that run vessels for the purpose of holding that themselves rather than having an independent shipment that would come along month to month on the market that would tend to disorganize affairs. That is, it was a strength and an advantage to the line to hold that freight; and if it made some slight concessions in taking it, covering, say, 12 months, they did it for that purpose. And under those circum-

stances every line that runs to a foreign country should be compelled, if it chooses to protect itself in that way, to give to every other shipper of a similar class of goods the same contract rate which it makes with that party for that purpose at the time, say, year by year.

* * * * *

[119] TESTIMONY OF MR. ALLERTON D. HITCH, TREASURER, HAGEMEYER TRADING CO., EXPORT AND IMPORT COMMISSION MERCHANTS, 17 BATTERY PLACE, NEW YORK.

* * * * *

[125] Mr. HUMPHREY. I remember an instance where the manufacturers of doors, I think it was, on the Pacific coast investigated by sending some of their products to South America, and the man they sent to look into it reported that he found very great discrimination in the way of making this charge, and if they sent them there by a vessel other than the conference lines that they might get there on time, but they would not agree that they would be able to discharge their cargo in less than 30 days.

* * * * *

Mr. HITCH. No. I do not know anything about the discriminations. I do know that in the South of Brazil the lighters are mostly owned by the Hamburg-South American Line, and that may account for the fact.

Mr. HUMPHREY. I remember that incident, and the agent reporting that would be one very serious objection, among other things, to cause his firm not to undertake to send their products down there.

Mr. HITCH. They probably had to lighter everything?

Mr. HUMPHREY. Yes.

Mr. HITCH. And it was a question of the lighterage ontract with the steamship company.

Mr. HARDY. In other words, that the lighterage supplied by the Hamburg company to the outside required payment of a heavy due.

Mr. HITCH. The lighters would probably be all busy.

* * * * *

135] The CHAIRMAN. You think that rebates should e prohibited absolutely?

Mr. HITCH. Yes, sir; I do.

The CHAIRMAN. Without any discrimination between shippers; that is, that they should all be treated like?

Mr. HITCH. I do not believe in discrimination. I hink they should all be treated alike, although I do ot think that the man who ships occasionally a few dds and ends should expect to get quite as good treatnent or service as the man who ships an enormous uantity.

The CHAIRMAN. But should that be the subject of rivate, secret negotiations between the parties?

Mr. HITCH. No; I do not think so.

The CHAIRMAN. But should be provided for under roper Governmental regulation?

Mr. HITCH. Exactly. I think there should be a ariff that should not be deviated from.

* * * * *

137] TESTIMONY OF MR. JOHN C. SEAGER

* * * * *

138] The CHAIRMAN. How long has that combination existed?

Mr. SEAGER. In the Brazil trade?

The CHAIRMAN. Yes.

Mr. SEAGER. Since 1895 or 1896.

The CHAIRMAN. Now, state briefly to the committee the substance of the working agreement between those lines.

Mr. SEAGER. From the start?

The CHAIRMAN. No; not as it was modified from time to time, but generally what was the agreement?

Mr. SEAGER. It was a rebate business, a deferred rebate business, and pooling.

The CHAIRMAN. Pooling, to what extent?

Mr. SEAGER. Pooling of freight and pooling of the commissions of the agents.

Mr. HUMPHREY. Did you pool your earnings?

Mr. SEAGER. Yes, sir; we pooled the earnings. The owners obliged us to pool our earnings.

[139] Mr. HUMPHREY. Did you have any agreement in regard to what action you would take toward competitors if any independent line came up?

Mr. SEAGER. Yes, sir; we occasionally got instructions to put on a fighting boat.

Mr. HUMPHREY. What do you mean by a fighting boat?

Mr. SEAGER. Some boat, a steamer placed on the berth to compete against another man who was opposing us and to take freight so low that we put him out of business.

Mr. HUMPHREY. Then suppose you sustained a loss, was that divided up between the different lines in proportion?

Mr. SEAGER. Yes, sir; the owners used to divide that among themselves according to the percentage they had in the pool.

* * * * *

[141] Now, my trouble was, what these gentlemen have all been complaining of, rebates and the tying up of the coffee shippers. I thought I would watch.

I watched because their end of the year is the 1st of July. After the 1st of July I noticed the people who had the least amount of rebates due, and gradually worked my way into them. I got several people, and I was getting a fair share of the business with all those drawbacks.

* * * * *

January 9, 1913

[153] TESTIMONY OF MR. LORENZO DANIELS, NEW YORK CITY

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Daniels, give the committee your name, address, and the business in which you are engaged.

Mr. DANIELS. My name is Lorenzo Daniels, 301 Produce Exchange. Our business is that of general merchants.

The CHAIRMAN. What shipping lines or companies do you represent?

Mr. DANIELS. We have had several agencies, but the only active one at the moment is the Lamport & Holt Line.

* * * * *

[155] In the matter of freight contracts, each line trades for its own boats that may be loading and for boats scheduled for a period of three months ahead. Contracts beyond three months are generally made for joint account, each line assuming a one-third liability; contracts for large amounts of staples are also made jointly, each line assuming a one-third responsibility.

* * * * *

[202] The CHAIRMAN. Explain what kind of contracts you have with reference to your shipments in the Brazilian trade.

Mr. DANIELS. In the Brazilian trade we have a contract for locomotives with the Baldwin Locomotive Works; we have a contract with the Singer Sewing Machine Co. for their goods; we have a contract with the Barbour Asphalt Co. for their goods; and we have a contract with the Rio Tramway Co. for their shipments.

The CHAIRMAN. Have you any contract with any other sewing-machine company for their goods?

Mr. DANIELS. I think not. I think there are a few others. There are those few contracts in the Brazilian trade.

The CHAIRMAN. Have you a contract with the New Home Sewing Machine Co. for their goods?

Mr. DANIELS. I think not.

The CHAIRMAN. Have you any with the International Harvester Co.?

Mr. DANIELS. No, sir; they do not ship to Brazil.

The CHAIRMAN. Have you a contract with the United States Steel Corporation?

Mr. DANIELS. We only have a specific contract for some specific line of goods. I do not know whether we have one running now. We have contracts for 25,000 tons of rails. We may have one now for 2,000 or 3,000 tons. I think that is the only contract on our record. The others have been fulfilled. We have car contracts.

The CHAIRMAN. Please explain to the committee the nature of those contracts. Take for instance the one with the United States Steel Corporation.

Mr. DANIELS. That would be a specific contract for a specific amount of freight at a specific rate. The last contract I have in mind was for 25,000 tons of rails.

The CHAIRMAN. You have no continuing contract with them, have you?

Mr. DANIELS. We have no continuing contract at all, sir.

The CHAIRMAN. You make a new contaract (sic) to cover each specific shipment, do you?

Mr. DANIELS. No; we only contract for large quantities. If their shipments are small they pay the tariff rate, make a contract as I explained to you for berth boats, as they are loading with each line, separate contracts.

[203] The CHAIRMAN. But for the large shipments you make them a special or a reduced rate, below the regular tariff rate, do you not?

Mr. DANIELS. No, sir. Take rails, there is not a fixed tariff; it fluctuates, but if we made a contract today with the steel company for 50,000 tons of rails, and anybody else had 10,000 tons of rails, we would make the same rate for the same contract. There is no discrimination.

The CHAIRMAN. There is no discrimination in favor of the large shipper as against the small shipper.

Mr. DANIELS. There is no discrimination in favor of the large shipper against the small shipper.

The CHAIRMAN. I understood you to say you had a contract with the Singer Sewing Machine Co.?

Mr. DANIELS. We have a contract with the Singer Sewing Machine Co. running, I think, through this next year, for all their goods at a fixed rate.

The CHAIRMAN. Is not that a rate less than your regular tariff rate?

Mr. DANIELS. Have you the tariff before you here?

The CHAIRMAN. No; we have not.

Mr. HUEBNER. You did not send us the Brazilian tariff.

Mr. DANIELS. I think we did. Yes; I am sure we did.

At this point Dr. Huebner handed a paper to the witness.

Mr. DANIELS. This is not the one. Our contract is higher than those rates. If you will allow me to ask my colleague, Mr. Gerhard—I do not think I remember exactly what the rate is. [To Mr. Gerhard:] Was it 20 cents a thousand?

Mr. GERHARD. I do not know the present rate.

Mr. DANIELS. In any case, whatever contract we have with the Singer Sewing Machine Co. for the year is in the neighborhood of 20 cents.

Mr. GERHARD. It was made some time ago.

Mr. DANIELS. It is immaterial. I can look it up for you. We would give anybody else the same rate in a similar contract; no discrimination whatsoever.

The CHAIRMAN. Would you give the New Home Sewing Machine Co. the same rate that you give the Singer Sewing Machine Co.?

Mr. DANIELS. We would, for a contract; yes, sir.

The CHAIRMAN. Do you do it?

Mr. DANIELS. I do not know whether they ship by us.

The CHAIRMAN. What?

Mr. DANIELS. I do not know whether they ship at all, to answer the direct question; but any sewing-machine company could make a contract with us in the same way.

The CHAIRMAN. Could you ascertain and send us the rates charged the United States Steel Corporation and the Singer Sewing Machine Co.?

Mr. DANIELS. Yes, sir.

The CHAIRMAN. And the New Home Sewing Machine Co., if they do ship via your line?

Mr. DANIELS. Yes, sir; we will be very glad to do that.

The CHAIRMAN. The contracts by these various shippers with your lines bind them to use your line exclusively?

[204] Mr. DANIELS. I think that the Singer contract is for all of their shipments.

The CHAIRMAN. Will you be kind enough to furnish a copy of your contract with the Singer Sewing Machine Co.?

Mr. DANIELS. We will be glad to; yes, sir.

The CHAIRMAN. Also with the other companies to which you referred.

Mr. DANIELS. With pleasure.

The CHAIRMAN. I think we called for them, and you will see if you have them. I call your attention to the fact that this clause of the subpoena duces tecum reads:

> And the said Lorenzo Daniels is hereby commanded to make diligent search for and produce any papers, data, or documents whatsoever in his possession, under his control, at his command, or that can be obtained by him, covering a period of three years next before this date, touching the following:
>
> (1) Any agreements (originals, copies, or in the form of correspondence or other data) between the Lamport & Holt Line and any other steamship company or companies operating between (a) New York and Brazilian ports; (b) New York and La Plata, Montevidio (sic), Buenos Aires, and Rosario, or between New York and any of these ports, and having for their purpose the fixing of rates or tariffs, the giving of rebates, special rates or privileges, the fixing of dates of sailing, the pooling of earnings or losses, the dividing of business or territory, or providing for the payment of deferred rebates to shippers.

Mr. DANIELS. We will be glad to send you a copy of the contract, but none of them correspond to that.

We give no rebates, nor do we give any privileged contracts at all.

The CHAIRMAN. We would like to see a copy of the contracts; they will speak for themselves.

Mr. DANIELS. We would be glad to furnish them, sir.

Mr. STEPHENS. Mr. Daniels, is the contract with the Singer Sewing Machine Co. for any less than the open rate that you charge on similar goods?

Mr. DANIELS. I tried to ascertain by looking at the tariff you have there—our present tariff is apparently changed. I think our contract is higher than that.

Mr. STEPHENS. You can not answer that?

Mr. DANIELS. I can not answer that without looking it up.

The CHAIRMAN. I understand the tariffs you sent us are the tariffs in force now?

Mr. DANIELS. They were in force when we sent them to you.

The CHAIRMAN. Are they in force now?

Mr. DANIELS. Well, practically; we constantly change the different rates on different articles, and I will not be sure whether we made any change in the tariffs as a whole since the date we sent it to you. It is possible we have. I will be very glad to look that question up and advise you.

The CHAIRMAN. Well, is it not a fact that that same printed tariff is issued by the other conference lines?

Mr. DANIELS. The same printed tariff is used by all the lines; yes, sir.

The CHAIRMAN. And they are identical in form and in rates?

Mr. DANIELS. Identical in form and rates; yes, sir. They are made up by a committee of the different lines revising them.

The CHAIRMAN. In conference?

[205] Mr. DANIELS. In conference, as I told you this morning.

The CHAIRMAN. Where are they made in fact, in London or New York?

Mr. DANIELS. The European tariffs are transposed to dollars and cents in New York.

The CHAIRMAN. But as they come to you from London they are in pounds, shillings, and pence?

Mr. DANIELS. Either that or they come to us from Germany. I think lately we are receiving them in the German language.

The CHAIRMAN. But you simply translate them into our terms?

Mr. DANIELS. To the equivalent in dollars and cents.

The CHAIRMAN. Otherwise they are fixed either in London or in Germany?

Mr. DANIEL. Yes, sir; we adopt the same rates.

The CHAIRMAN. Tell us a little more in detail about the work of this committee—just what you do, and what your powers are, and all about it.

Mr. DANIELS. It is pretty difficult to convey to you very much of an idea, from the fact that it has not been necessary for the principals to come together for over a year. I have not attended a conference in a year. My colleagues make the reports of the amount of cargo—the division of contracts—and qualify in this work of adapation of rates, etc. There are no discretionary powers in the New York conference that it has been necessary to act upon. I do not think we have any—we cable——

The CHAIRMAN. You say you have no discretionary powers?

Mr. DANIELS. Practically no discretionary powers.

The CHAIRMAN. You get your orders from the conference abroad?

Mr. DANIELS. From the conference abroad.

The CHAIRMAN. So that those cables come interchangeably to all the conference lines here?

Mr. DANIELS. They come to our conference office.

The CHAIRMAN. Yes.

Mr. DANIELS. We have a chap who circulates them around to the other lines, and if any one of the lines want to send a cable we generally send for him, and he takes our copy of it and submits it to the others for their approval and signature.

The CHAIRMAN. All of it is sent?

Mr. DANIELS. All of it is sent, so that we all know it comes through that way.

The CHAIRMAN. And when a cable comes from abroad it is treated by all conference lines jointly.

Mr. DANIELS. Yes.

The CHAIRMAN. Is it not also a part of the duty of this committee and conference to keep track of the traffic and distribute it as nearly as may be between the different conference lines?

Mr. DANIELS. No; we do not distribute the traffic at all in New York, except contracts that we have taken jointly, with a third liability to carry and transport.

The CHAIRMAN. Are there any contracts made with these shippers whom you have mentioned and others that are not joint contracts; that is, I mean joint on the part of the conference lines with the individual shipper?

[206] Mr. DANIELS. Any contract that is made for a specific sailing, or up to a period of three months, within which period generally the boats are named; those contracts would be made, each line for its own steamer, irrespective of any other line. If it was an extended contract, or a contract in very large volume, where the other lines join, it would be made con-

jointly. A yearly contract, such as the Singer contract, covering a year, I think, is made conjointly—made by one in behalf of all.

* * * * *

[213] Mr. HUMPHREY. I understood you a while ago that you had a contract with the Singer Sewing Machine Co. but that other shippers of sewing machines could send their product at the same rate if they so desired.

Mr. DANIELS. If they desired to contract.

Mr. HUMPHREY. What was the purpose of making that special contract with the Singer Sewing Machine Co.?

Mr. DANIELS. The Singer Sewing Machine Co. have a very large business in Brazil. It is Brazil we are speaking about, is it not?

Mr. HUMPHREY. Yes.

Mr. DANIELS. In Brazil. And they have sales agents who are making forward sales all the time, and they like to be able to make their sales on a fixed cost. A great many of their contracts are made with houses in Brazil by the year, they know the volume of their business, and it makes it a certainty when they have the transportation at a fixed rate.

Mr. HUMPHREY. And so, owing to the large amount of business, you are naturally anxious to get it?

Mr. DANIELS. We are naturally anxious to facilitate their business. We would get it anyhow, presumably, if there was no opposition.

Mr. HUMPHREY. They agree in their contract not to ship by any other lines?

Mr. DANIELS. No; they agree to give us all of their freight, Mr. Humphrey. It may be the same thing, but it is the same thing with a difference. If you will give me the questions without the answers tagged onto them we will get on very much quicker.

Mr. HUMPHREY. I have no objection to a discrimination if there is a difference. They may patronize the other line, but they must give you the freight.

Mr. DANIELS. They contract to do it.

Mr. HUMPHREY. What concessions do you give to them to induce them to do that?

Mr. DANIELS. We give them this yearly contract. That is all.

Mr. HUMPHREY. They get no advantage any other way?

Mr. DANIELS. They get no advantage any other way.

Mr. HUMPHREY. You are not giving them any lower rate than you are giving their competitors?

Mr. DANIELS. No lower rate than we are giving any other competitor that would want to contract. Let me put it that way.

Mr. HUMPHREY. Under that contract do you, as a matter of fact, carry the Singer sewing machines for less than you carry other machines?

Mr. DANIELS. If the market goes up we would be caught with a bad contract on our hands.

[214] Mr. HUMPHREY. Yes; but you do not quite understand my question. We will take, for illustration, some other sewing machine, the Home or any other company. Unless they make a special contract you do charge them more, do you not?

Mr. DANIELS. Not necessarily. It all depends on the going tariff or the value of the service. If the market is going up or the rates go up.

Mr. HUMPHREY. Have you a contract with any other sewing machine manufacturer, outside of the Singer?

Mr. DANIELS. To Brazil—I think not.

Mr. HUMPHREY. You have no agreement with any other that would come in competition with the Singer in your field?

Mr. DANIELS. I do not think so in Brazil. In the Plate I think there are others that have contracted.

Mr. HUMPHREY. The only other line to South America in the same trade as your line is the Prince Line, is it not?

Mr. DANIELS. The Lloyd Brazileiro are in the New York-Brazil trade—an independent line—and they quote cheaper freight than we do. We make no discrimination for anybody who wants to ship by them.

* * * * *

[226] Mr. DANIELS. They are not joint contracts. They are made; each line making its own contract and assuming the liability for the carrying out of that contract; but they have the privilege of shipping by other steamers than their own.

The CHAIRMAN. In other words, while the contract is made, for instance, with the Lamport & Holt Line, yet it is understood they may ship by any one of the conference lines?

Mr. DANIELS. If the shipper wants to and the conference line will take the goods.

* * * * *

[227] The CHAIRMAN. You tell the committee now whether these parties give that contract for the privilege of shipping by any one of the conference lines or by any other lines at will?

Mr. DANIELS. No; they have not.

The CHAIRMAN. They have not?

Mr. DANIELS. In our own case we have had the question raised several times where people have tried to get the benefit of contract rates when we did not have the space, and were charging higher, and when our line did not have any liability under that contract, nor have the other lines any liability or responsibility other than is voluntary under our contracts.

The CHAIRMAN. But you do recognize——

Mr. DANIELS. As a custom, unless there is some reason to the contrary, the shippers ship by what steamers they like, because the rates are about the same.

The CHAIRMAN. When you say "steamers" you mean lines in the conference?

Mr. DANIELS. Yes.

* * * * * *

[237] TESTIMONY OF MR. PAUL F. GERHARD, GENERAL AGENT FOR THE PRINCE LINE, NEW YORK, N. Y.

* * * * *

[241] Mr. GERHARD. * * *

It is also a part of the understanding that merchants who contract with individual lines for the shipment of large quantities of materials or for shipments during a season or a year have the privilege of loading such parts of their shipments as they may desire to load upon any steamer or steamers of any of the five lines which may be loading at the time the merchants wish to make the shipment, but subject to arrangement with the agent of the steamer, except contracts that are closed by authority of the respective agents for participation in same. The freight rates earned by each of the lines are its own, and are not pooled.

* * * * *

[246] The CHAIRMAN. Of course, you have contracts with individual shippers in these different trades?

Mr. GERHARD. Well, in some trades, yes, we have more than in others. For instance, in the African trade I have no special contracts at all. In the Brazil trade I have some contracts, and in the River Plata trade I have some contracts.

The CHAIRMAN. Have you copies of them?

Mr. GERHARD. Yes, sir. The subpoena spoke of five contracts in which we had given special privileges or advantages.

The CHAIRMAN. Yes.

Mr. GERHARD. I do not consider any of my contracts as giving any special privileges or advantages. I thought I would bring the contracts, so you can judge for yourself. In reference to the River Plata contract I should like to explain the position. We have at New York some four or five merchants—merchant houses that ship from 50,000 to 100,000 tons of agricultural machinery during the year, besides a good many other goods. These houses want contracts. They want to be prepared when their goods arrive; they want to know that the steamers are ready to take them, and they like to make a contract. So, of course, we feel that it is to our interest to make contracts. The result is that we have got into a way of making these contracts generally in the spring of the year for a year, and these houses are pretty close traders. When we finally close a contract with one of these houses, which generally is for agricultural machinery, at lower rates than our tariff rates, being such large quantities, you know, why, the other houses fall in line and close contracts on the same terms. After these big shippers have those lower rates we feel it is but right and proper that the small shippers should have the same rates, and for that reason we then offer those smaller shippers contracts on identically the same terms, so as to give them all a chance to work on the same basis. And that is the way that you find we make a good many more contracts in the River Plata trade than in these other trades.

* * * * *

EXHIBIT 34

NEW YORK, *April 26, 1911.*

The PARSONS TRADING CO.,
20 Vesey Street, New York City.

DEAR SIRS: Referring to our present freighting agreement made with you, dated November 9, 1910,

we now desire to avail ourselves of the 30-days' clause contained therein and to withdraw the present rates. [247] We beg to submit to you the following rates to cover your shipments of news printing paper and pulp board from May 26, 1911, until December 31, 1911:

* * * * *

All per ton of 2,240 pounds landed. The present agreement in all other respects remaining in force.

We have written this letter in duplicate. Kindly keep one and return the other approved by you.

Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Approved.

* * * * *

NEW YORK, *November 9, 1910.*

The PARSONS TRADING Co.,
20 Vesey Street, New York City.

DEAR SIRS: We beg to confirm contract made with you on all your shipments of news printing paper and pulp board under your control from New York to Bahia, Rio de Janeiro, and Santos, Brazil, during the months of January, February, March, April, and May next, and contract to continue thereafter, subject to 30 days' notice by either party, on the following terms:

* * * * *

All per ton of 40 cubic feet, landed.

Shipments by the Prince Line and Hamburg Lines to go forward at net rates, and shipments by the Lamport & Holt Line, 10 per cent primage to be added. All other conditions as per contract made with your good selves dated February 1, 1909.

We have written this letter in duplicate. Kindly keep one and return the other approved by you.

Yours, faithfully,

PAUL F. GERHARD & CO.,
General Agents.
PARSONS TRADING CO.,
Per WM. J. SIEBERT,
Traffic Manager.

November 21, 1910.

NEW YORK, *November 12, 1910.*

The BARBER ASPHALT PAVING CO.,
Land Title Building, Philadelphia, Pa.

GENTLEMEN: We beg to confirm contract made with you today for all shipments of asphalt and residuum (in custody barrels) under your control from New York to Rio de Janeiro during the next three months, and contract to continue thereafter, subject to 30 days' notice by either party, on the following terms:

* * * * *

All per ton of 2,240 pounds, gross weight; all prepaid on signing of bills of lading and free from alongside.

Please note that the following clause will be inserted in all bills of lading, to be signed by you, viz: [248] To be taken from alongside the steamer by consignees of goods at their own risk and expense immediately the steamer is ready to deliver. Consignees to send a competent representative, who will sign receipts for each lighter load before it leaves the steamer's side, otherwise the steamer will not be responsible for any claims on the cargo. In default the goods to be landed by the agents of the steamer at expense (including dock dues) and risk of the consignees.

In the event of the consignees failing to carry out this clause, the shipper shall be held, and hereby holds, himself responsible for all expenses incurred thereby.

We have written this letter in duplicate; kindly keep one and return the other approved by you.

Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Accepted by cable authority dated October 28, from Carlos A. de Miranda Jordao.

THE BARBER ASPHALT PAVING CO.,
By F. J. BUXTON, *Agents.*

NEW YORK, *January 21, 1910.*

MESSRS. GUINLE & Co.,
New York City.

DEAR SIRS: We hereby beg to confirm freight agreement made with you by us, acting for the Prince Line, Lamport & Holt Line, and Hamburg-South American Steamship Co., and Hamburg-American Line (joint service). This agreement to cover the transportation of your entire shipments of lawful merchandise from New York to ports in Brazil named below, on the following terms:

* * * * *

The steamship lines agree to provide space on receipt of ample notice of your requirements by steamers of the Prince Line, Lamport & Holt Line and Hamburg-South American Steamship Co., and Hamburg-American Line (joint service).

* * * * *

This contract to run during the current month and the three following months and to run thereafter subject to 30 days' notice of withdrawal on the part

of either party, but such notice not to be given before April 1, 1910.

Yours faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Accepted:
GUINLE & Co.

This contract was canceled December 6, 1910.

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[249] EXHIBIT 35

NEW YORK, *October 2, 1912.*

Messrs. ENOCH MORGAN SONS & Co.,
439 West Street, New York City.

DEAR SIRS: We beg to confirm contract made with you today covering all your shipments of Sapolio, which you control (approximately 250 tons), hence to Montevideo and Buenos Aires, from date to January 31, 1913, inclusive, at the following rates of freight, viz: Montevideo, $10 net per ton; Buenos Aires, $11 net per ton.

All per ton of 40 cubic feet, or 2,240 pounds, steamer's option.

Freight is to be prepaid, and all shipments are subject to the terms and conditions of the regular carrying line's River Plata bills of lading.

We agree that in case the rate of freight on Sapolio is reduced you are to receive the benefit of such reduced rates during the period of such reduction.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per F. SCHARDING,
General Agents.

FS/NJM.

Accepted:
ENOCH MORGAN SONS Co.,
Per EDWIN L. VULTEE.

NEW YORK, *August 15, 1912.*

Messrs. COLLINS & Co.,
212 Water Street, New York City.

DEAR SIRS: We beg to confirm contract made with you today covering all your shipments of lawful merchandise (approximately 1,000 tons), from New York to Montevideo, Buenos Aires and Rosario, from date to April 30, 1913, inclusive, at the following rates of freight, viz:

* * * * *

All per ton of 40 cubic feet or 2,240 pounds, steamer's option.

Goods not enumerated to pay current rates.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

We agree that in case the Prince Line reduce the rates of freight to any other shipper, or shippers, on any articles named in this contract, you are to receive the benefit of such reduced rates during the period of such reduction.

Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Accepted:

Collins & Co.

NEW YORK, *June 21, 1912.*

Messrs. J. WASSERMANN & Co.,
24 Stone Street, New York City.

DEAR SIRS: We beg to confirm engagement made with you today of 50,000 wine-barrel shooks, hence to Buenos Aires, at the rate of 13 cents net per cubic foot, prepaid, for shipment from October next to April, 1913, inclusive, in quantities as may be mutually arranged.

All shipments subject to the carrying line's regular bill of lading.

Yours, faithfully,

PAUL F. GERHARD & CO.,
Per H. CONNOR,
General Agents.

Accepted:

J. WASSERMANN & CO.,
PHIL. SEGALLER.

NEW YORK, *June 14, 1912.*

[250] Messrs. J. WASSERMANN & Co.,
24 Stone Street, New York City.

DEAR SIRS: We beg to confirm contract made with you today for shipment of 50,000 barrel shooks, hence to Buenos Aires, at the rate of 13 cents net per cubic foot, prepaid, as customary; to go forward in about equal monthly quantities, commencing July next, as arranged to mutual convenience.

All shipments subject to conditions of the Prince Line's regular Plata bill of lading.

Yours, faithfully,

PAUL F. GERHARD & CO.,
Per H. CONNOR,
General Agents.

Accepted:

J. WASSERMANN & CO.,
PHIL. SEGALLER.

Memorandum of freight contract made this 1st day of June, 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and Adriance, Platt & Co., party of the second part, for their entire shipments of lawful merchandise (approximately 1,000 tons), from New

York to Montevideo, Buenos Aires, and Rosario, from date to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say, twenty (20) days for lots under five hundred (500) tons and thirty (30) days for larger lots) is given.

Rates of freight as follows:

	Cents
Class 1. Agricultural machinery—say, harvesters, headers, binders, header binders, reapers, mowers, hay rakes, drills, stackers, seed sowers, cornpickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction-engine gang plows)	16
Class 2. Cleaners, hay presses, grain mills, land rollers, pulverizers, grain planters	18
Class 3. Binder twine, per bale	28

General cargo and hardware and cargo not otherwise enumerated, at current rates.

All the above rates are to Montevideo and Buenos Aires.

Rates to Rosario shall be 4 cents per cubic foot, or 56 pounds, over the Buenos Aires rates, whether steamer goes direct or otherwise.

Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.

All cargo, unless otherwise specified, to pay freight at per cubic foot, or 56 pounds, at steamer's option, and no piece or package is to exceed 2 tons in weight.

Parts of any of the above-mentioned articles to take the rate of the complete machine.

Rates on goods weighing over 4,480 pounds per package are to be mutually agreed between the parties hereto.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

It is further agreed that in case the Prince Line reduce the rates of freight to any other shipper, or ship-

pers, on any articles named in this contract the party of the second part shall have the benefit of such reduced rates during the period of such reduction.

PAUL F. GERHARD & CO.,
Per H. CONNOR,
General Agents Prince Line.

* * * * *

NEW YORK, *May 31, 1912.*

[251] The ANSONIA CLOCK CO.,
99 John Street, New York City.

GENTLEMEN: We beg to confirm contract made with you today covering all your shipments of clocks (approximately 10,000–15,000 cubic feet) hence to Montevideo, Buenos Aires, and Rosario from date to April 30, 1913, inclusive, at the following rates of freight, viz: Montevideo, 25 cents per cubic foot; Buenos Aires, 27½ cents per cubic foot; Rosario, 31½ cents per cubic foot.

All freight is to be prepaid and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

We agree that in case the Prince Line reduce the rates of freight to any other shipper or shippers on clocks you are to receive the benefit of such reduced rates during the period of such reduction.

Yours, faithfully,

PAUL F. GERHARD & CO.,
Per H. CONNOR,
General Agents.

Accepted:

THE ANSONIA CLOCK CO.
RAYMOND J. SCHWEIZER.

Memorandum of freight contract made this 28th day of May, 1912, between Paul F. Gerhard & Co.,

agents of Prince Line, party of the first part, and Messrs. Heywood Bros. & Wakefield Co., party of the second part, for their entire shipments of lawful merchandise, which they control, from New York to Montevideo, Buenos Aires, and Rosario from date to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice is given.

Rates of freight as follows:

Cane and wood seat and folding chairs, children's vehicles, bentwood chairs, rattan mats, chair cane, car seats, woven cane web seating, reed and rattan specialities, Montevideo, 17½ cents; Buenos Aires, 17½ cents; Rosario, 21½ cents.

All per cubic foot; all freight prepaid; all shipments subject to the carrying line's regular bill of lading.

Other articles to be charged at current tariff rates.

It is further agreed that in case the Prince Line reduces the rates of freight to any other shipper or shippers on any articles named in this contract the party of the second part shall have the benefit of such reduced rates during the period of such reduction.

PAUL F. GERHARD & CO.,

Agents of Prince Line.

HEYWOOD BROTHERS & WAKEFIELD CO.,

HENRY H. MORRELL.

Memorandum of freight contract made this 10th day of May 1912, between Paul F. Gerhard & Co., agents of the Prince Line, party of the first part, and Messrs. William H. Knox & Co., party of the second part, for their entire shipments of lawful merchandise (approximately 50,000 tons) from

New York to Mo[illegible]ideo, La Plata, Buenos Aires, and Rosario from May 24, 1912, to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say, 20 days for lots under 500 tons and 30 days for larger lots) is given.

Rates of freight as follows:

	Cents
Class 1. Agricultural machinery, say, harvesters, headers, binders, header binders, reapers, mowers, hayrakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction engine gang plows)	16
Class 2. Cleaners, hay presses, grain mills, land rollers, pulverizers, grain planters	18
Class 3. Lubricating oil	15
Class 4. Windmill material	19
Class 5. Agricultural engines and thrashers (over 3 tons and not exceeding 24,000 pounds)	22
Agricultural engines and thrashers (up to 3 tons)	20
[252] Class 6. Binder twine, per bale	28
Class 7. Wheelbarrows, shovels, spades, hayforks	20
Class 8. Chairs, desks, common furniture	17½
Special, Machinery, including gas engines (up to 2 tons)	20
Automobiles (until Dec. 31, 1912):	
Not exceeding 2 tons	15
Over 2 tons	18

General cargo and hardware and cargo not otherwise enumerated at current rates.

All the above rates are to Montevideo and Buenos Aires.

Rates to Rosario shall be 4 cents per cubic foot, or 56 pounds, over the Buenos Aires rates, whether steamer goes direct or otherwise.

Rates to La Plata shall be 3 cents per cubic foot, or 56 pounds, over the Buenos Aires rate.

Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.

The rate on binder twine to La Plata shall be 6 cents per bale over the Buenos Aires rate.

All cargo, unless otherwise specified, to pay freight at ——— per cubic foot, or 56 pounds, at steamer's

option, and no piece or package is to exceed 2 tons in weight except thrashers.

Parts of any of the above-mentioned articles to take the rate of the complete machine.

Rates on goods weighing over 4,480 pounds per package, are to be mutually agreed between the parties hereto.

It is understood that this contract does not cover shipments of lumber, kerosene, inflammables, rosin, and other rough or dangerous cargo, which are subject to special arrangement.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

It is further agreed that in case the Prince Line reduce the rates of freight to any other shipper or shippers on any articles named in this contract, the party of the second part shall have the benefit of such reduced rates during the period of such reduction.

PAUL F. GERHARD & Co.,
Agents Prince Line.
WILLIAM H. KNOX & Co.

Memorandum of freight contract, made this 1st day of May 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and Hughes & Co., party of the second part, for their entire shipments of lawful merchandise (approximately 1,500 tons) from New York to Montevideo, Buenos Aires, and Rosario, from May 1, 1912, to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say 20 days) is given.

Rates of freight as follows:

	Cents per cubic foot
Class 1. Agricultural machinery, say, harvesters, headers, binders, header binders, reapers, mowers, hay rakes, drills, stackers, seed sowers, corn pickers, hand grain shellers, and parts thereof, carts, harrows, plows (except traction-engine gang plows)	16
Class 2. Cleaners, hay presses, grain mills, land rollers, pulverizers, grain planters	18
Class 3. Lubricating oil	15
Class 4. Windmill material	19
Class 5. Agricultural engines and threshers (over 3 tons, and not exceeding 20,000 pounds)	22
Agricultural engines and threshers (up to 3 tons)	20
Class 6. Binder twine, per bale	28
Class 7. Wheelbarrows, shovels, spades, hayforks, chairs, desks, common furniture	20
Special. Machinery (including gas engines) (up to 2 tons)	20
Automobiles (until Dec. 31, 1912):	
Not exceeding 2 tons	15
Over 2 tons	18

[253] General cargo and hardware and cargo not otherwise enumerated, at current rates.

All the above rates are to Montevideo and Buenos Aires.

Rates to Rosario shall be 4 cents per cubic foot over the Buenos Aires rates, whether steamer goes direct or otherwise.

Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.

All cargo, unless otherwise specified, to pay freight at per cubic foot, or 56 pounds, at steamer's option, and no piece or package is to exceed 2 tons in weight (except threshers).

Rates on goods weighing over 4,480 pounds per package, are to be mutually agreed between the parties hereto.

It is understood that this contract does not cover shipments of lumber, kerosene, rosin, and other rough cargo, which are subject to special arrangement.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular line's River Plata bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
Agents of Prince Line.
HUGHES & Co.

NEW YORK, *May 1, 1912.*

MR. J. R. MELCHER,
New York.

DEAR SIR: We beg to confirm contract made with you today for shipment of 24,000 wine barrel shooks, hence to Buenos Aires, at the rate of 16 cents net per cubic foot, prepaid as customary.

Shipments during the balance of the present year, in about equal monthly quantities, and as arranged to mutual convenience.

All shipments subject to conditions of the Prince Line's regular River Plata bill of lading.

Yours, faithfully,

PAUL F. GERHARD & Co.,
p. H. CONNOR,
General Agents.

Accepted with the understanding that quantity may be 21,000 only, my option, to be declared by May 9, 1912.

J. R. MELCHER.

April 30, 1912

MESSRS. JOHN DUNN, SON & Co., Present.

DEAR SIRS: In consideration of your continued patronage, we hereby agreed to accept your shipments, say to April 30, 1913, on the following terms:

Contract rates on all contract goods. Tariff rates on the balance of shipments.

It is understood that you are to receive as favorable rates, terms, and conditions as any other shipper.

It is understood the volume of shipments by our line is estimated on the basis of year ending April 30, 1912. Any increase over 10 percent to be subject to mutual agreement.

Upon receipt of your letter accepting and ratifying the conditions named above, this is to be considered a contract.

Yours, truly,

PAUL F. GERHARD & CO.,
Agents Prince Line.

NEW YORK, *May 1, 1912.*

MESSRS. PAUL F. GERHARD & CO.,
8 Bridge Street, New York.

DEAR SIRS: Your favor of April 30 received, protecting our shipments by the Prince Line to April 30, 1913, and in reply beg to state that we accept the conditions named therein.

Yours, truly,

JOHN DUNN, SON & CO.

NEW YORK, *April 30, 1912.*

FISKE BROS. REFINING CO.,
New York.

DEAR SIRS: We beg to confirm contract made today with your goodselves for shipment of about 6,000 barrels lubricating oil, hence to Buenos Aires and [254] Rosario, at the following rates, viz: Buenos Aires, 15 cents net per cubic foot; Rosario, 19 cents net per cubic foot.

Shipment from date to April 30, 1913, inclusive, in about equal monthly quantities as arranged to mutual convenience.

All shipments subject to conditions of the Prince Line's regular River Plata bill of lading.

Yours, faithfully,

PAUL F. GERHARD & Co.,
P. H. CONNOR,
General Agents.

HC/NJM.
Accepted:

FISKE BROTHERS REFINING CO.,
H. F. FISKE,
President.

Witness:
G. P. Fiske,
F. J. Snyder.

Memorandum of freight contract, made this 22d day of April 1912 between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and the Gerhard & Hay Co., as agents for the Emerson-Brantingham Co., Rockford, Ill., party of the second part.

Party of the first part agrees to provide transportation for all shipments of plows (riding), planters, harrows, mowers, and rakes which the party of the second part may have to ship to Montevideo, Buenos Aires, and Rosario, to April 30, 1913, inclusive, estimated at 400 to 600 tons, at the following rates of freight:

* * * * *

It is also mutually agreed and understood that this contract covers the entire shipments of Emerson-Brantingham Co., of Rockford, Ill., for shipments to

River Plata ports, and shipments shall only be made from New York by steamers designated by party of the first part.

It is also mutually agreed and understood that if lower rates prevail during the above-mentioned period the party of the first part shall protect the party of the second part, either by meeting the rates or permitting party of the second part to engage room and ship by other steamship lines, each and every shipment to be submitted to party of the first part for their instructions before action is taken.

In connection with the foregoing it is agreed as follows:

Emerson-Brantingham Co. are to be protected by steamship lines at the lowest rates accepted under any contract for the same class of implements to the ports named in this contract.

This contract is to cover all business controlled (as to routing) by Emerson-Brantingham Co., and they agree in good faith everything possible under this arrangement.

In any event that any consignees make steamship arrangements contrary to this contract and the Emerson-Brantingham Co. can not induce them to permit shipment under this contract, they have privilege of shipping by such steamer or steamers as consignees may instruct.

The steamship lines to be used under this contract are as follows: Prince Line, Houston Line, American & Rio Plata Line, Barber Line, and Norton Line.

PAUL F. GERHARD & Co.,

Agents.

EMERSON-BRANTINGHAM Co.,
J. D. WHITE,

Salesman.

Accepted April 26, 1912.

[255] Memorandum of freight contract, made this 22d day of April, 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and J. H. Snyder, party of the second part, for his entire shipments of lawful merchandise (approximately 500 tons) from New York to Montevideo, Buenos Aires, and Rosario, from May 1, 1912, to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say 20 days) is given.

Dates of freight as follows:

	Cents per cubic foot
Class 1. Agricultural machinery, say harvesters, headers, binders, header binders, reapers, mowers, hay rakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction engine gang plows)	16
Class 2. Cleaners, hay presses, grain mills, land rollers, pulverizers, and grain planters	18
Class 3. Lubricating oil	15
Class 4. Windmill materia	19
Class 5. Agricultural engines and threshers (over 3 tons and not exceeding 20,000 pounds)	22
Agricultural engines and threshers (up to 3 tons)	20
Class 6. Binder twine, per bale	28
Class 7. Wheelbarrows, shovels, spades, hayforks, chairs, desks, and common furniture	20
Special:	
Machinery (including gas engines) up to 2 tons	20
Automobiles (until Dec. 31, 1912)—	
Not exceeding 2 tons	15
Over 2 tons	18
General cargo and hardware and cargo not otherwise enumerated, at current rates.	

All the above rates are to Montevideo and Buenos Aires.

Rates to Rosario shall be 4 cents per cubic foot over the Buenos Aires rates, whether steamer goes direct or otherwise.

Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.

All cargo, unless otherwise specified, to pay freight at per cubic foot or 56 pounds, at steamer's option,

and no piece or package is to exceed 2 tons in weight (except threshers).

Rates on goods weighing over 4,480 pounds per package are to be mutually agreed between the parties hereto.

It is understood that this contract does not cover shipments of lumber, kerosene, rosin, and other rough cargo, which are subject to special arrangement.

All freight is to be prepaid and all shipments subject to terms and conditions of the regular lines River Plata bill of lading.

PAUL F. GERHARD & Co.,
Agents of Prince Line.
J. H. SNYDER.

DECEMBER 11, 1911.

MR. ROBERT E. LEBER,
New York City

DEAR SIR: We beg to confirm contract made this day with you for all your shipments of lawful merchandise from New York to Montevideo, Buenos Aires, and Rosario, from date until December 31, 1912, inclusive, at the following rates of freight, viz:

* * * * * *

All the above prepaid as customary. Shipments to go forward by steamers of the Prince Line or other steamers as designated by us.

[256] This contract is written in duplicate, one of which kindly accept and return to us, and oblige.

Yours, faithfully,

PAUL F. GERHARD & Co.,
P. H. CONNOR,
General Agents.

Accepted:

ROBERT E. LEBER.

Memorandum of freight contract, made this 11th day of December, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and the Cadillac Motor Car Co., Detroit, Mich., parties of the second part, for their entire shipments of automobiles (boxed) from New York to Montevideo, Buenos Aires, and Rosario, from date to December 31, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, 15 cents net per cubic foot; to Rosario, 19 cents net per cubic foot.

All prepaid as customary; no package to exceed 2 tons in weight.

The following declaration to be given by the Cadillac Motor Car Co. with each shipment of automobiles, viz:

> We hereby certify that the gross weight of _____ marked _____ that we wish to ship by steamer _____ to sail _____ is _____ pounds, and that the dimensions are as follows: _____ _____. Also that no gasoline, prestolite, carbide, water, cotton waste, india rubber, solution, spirit varnish, petrol, or any other article of a dangerous character remains in the tanks or other receptacles, and that the tanks, etc., have been blown out by fresh air.

Shipments to go forward by steamers of the Prince Line, and/or other steamers, as may be designated by us.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & CO.,
Agents.

Accepted for Cadillac Motor Car Co.

GERHARD & HEY,
Per J. W. WALTER.

Memorandum of freight contract, made this 8th day of December, 1911, between Paul F. Gerhard & Co., agents of the Prince Line, parties of the first part, and Messrs. A. S. Lascelles & Co., parties of the second part, for their entire shipments of lawful merchandise from New York to Montevideo, Buenos Aires, and Rosario, from date to December 31, 1912, inclusive.

Parties of the first part agree to provide tonnage for the above lawful merchandise; parties of the second part to give reasonable notice of intended shipments (say, 20 days), said goods to go forward at the lowest rate of freight for like articles on the steamer carrying the goods.

Lumber, rosin, kerosene, and other rough cargo are not covered by this agreement, and to be subject to special arrangement.

All freight to be prepaid as customary.

It is also agreed that the parties of the second part are at liberty to ship by any other line such goods as are specifically ordered by consignee to be shipped by any particular line.

PAUL F. GERHARD & Co.,
General Agents, Prince Line.
Per H. CONNOR,
A. S. LASCELLES & Co.,
South American Department.
Per OTTO GELOCHER,
Manager.

NEW YORK, *December 9, 1911.*

Mr. J. R. MELCHER,
New York City.

DEAR SIR: We beg to confirm engagement made with you today of 72,000 wine barrel shooks, hence to

Buenos Aires, at the rate of 11 cents net per cubic foot, prepaid; for shipment in about equal monthly quantities of 9,000 barrels each, commencing February 1912, as arranged to mutual convenience.

[257] Shipments to go forward by steamers of the Prince Line and/or other steamers, as designated by us.

We are writing this letter in duplicate, and would thank you to accept one and return to us, and oblige.

Yours faithfully,

PAUL F. GERHARD & CO.,
PER H. CONNOR,
General Agents.

Accepted.

J. R. MELCHER.

DECEMBER 9, 1911.

DECEMBER 9, 1911.

BROOKLYN COOPERAGE CO.,
New York City.

GENTLEMEN: We beg to confirm engagement made with you today of 15,000 wine barrel shooks, hence to Buenos Aires, at the rate of 11 cents net per cubic foot, prepaid as customary; for shipment in about equal monthly quantities of 3,000 barrels each, commencing February, 1912, as arranged to mutual convenience.

Shipments to go forward by steamers of the Prince Line, and/or other steamers, as designated by us.

We are writing this letter in duplicate, and would thank you to accept one and return to us, and oblige.

Yours, faithfully,

PAUL F. GERHARD & CO.,
PER H. CONNOR,
General Agents.

Accepted.

BROOKLYN COOPERAGE CO.

Memorandum of freight contract, made this 6th day of December, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 50,000 wine barrel shocks [sic], at the rate of 11 cents net per cubic foot, prepaid as customary; hence to Buenos Aires; shipment during second six months of 1912, in quantities as arranged to mutual convenience.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & CO.,
Per H. CONNOR,
General Agents, Prince Line.

Accepted.

J. WASSERMAN & CO.

Memorandum of freight contract, made this 1st day of December, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and Messrs. Ault & Wiborg Co., parties of the second part, for their entire shipments of printing ink from New York to Montevideo, Buenos Aires, and Rosario, from January 2, 1912, to December 31, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, 19 cents net, per cubic foot; to Rosario, 23 cents net, per cubic foot. All prepaid as customary.

Shipments to go forward by steamers of the Prince Line, and/or other steamers as may be designated by us.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Agents.

Accepted.

THE AULT & WIBORG CO.,
L. A. AULT,
President.

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[258] Memorandum of freight contract made this 3d day of November, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, party of the first part, and the Gulf Cooperage Co., of Pittsburgh, Pa., party of the second part, for shipment of 150,000 (10 per cent more or less) wine barrel shooks, from New York to Buenos Aires, at the rate of 11 cents net per cubic foot, prepaid as customary.

Shipments to go forward in about equal monthly quantities during the year of 1912, as arranged to mutual convenience.

Prince Line agrees to furnish not less than one steamer per month.

All shipments subject to terms and conditions of regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents, Prince Line.

Accepted.

GULF COOPERAGE CO.

Memorandum of freight contract, made this 20th day of September, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, party of the first part, and Brown Portable Elevator

Co., party of the second part, for their entire shipments of portable elevators from New York to Montevideo, Buenos Aires, and Rosario from date to May 1, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, $8 per ton; to Rosario, $9.60 per ton.

All the above per ton of 40 cubic feet, or 2,240 pounds, steamer's option, prepaid as customary, and no package to exceed 2 tons in weight.

The Prince Line agree to furnish not less than one steamer per month; all shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents, Prince Line.

Accepted.

THE BROWN PORTABLE ELEVATOR CO.

Memorandum of freight contract, made this 1st day of September, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and Studebaker Corporation (E. M. F. factories), Detroit, Mich., parties of the second part for their entire shipments of automobiles (boxed) from New York to Montevideo, Buenos Aires, and Rosario from date to December 31, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, 15 cents net per cubic foot.

To Rosario, 19 cents net per cubic foot.

All prepaid as customary; no package to exceed 3 tons in weight.

The following declaration to be given by the Studebaker Corporation with each shipment of automobiles, viz:

> We hereby certify that the gross weight of automobile marked ——— that we wish to ship by steamer ——— to sail ——— is ——— pounds, and that the dimensions are as follows ———; also that no gasoline, prestolite, carbide, or water remains in the tanks, and that the tanks have been blown out by fresh air.

The Prince Line agree to furnish not less than one steamer per month.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & CO.,
Per H. CONNOR,
General Agents Prince Line.

Accepted:

STUDEBAKER CORPORATION,
G. M. SHERMAN,
General Traffic Manager.

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[259] Memorandum for freight contract, made this 21st day of August, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, party of the first part, and Mr. Ed. Maurer, party of the second part, for his entire shipments from New York to Montevideo, Buenos Aires, and Rosario from date to April 30, 1912, inclusive, viz:

* * * * *

All the above per cubic foot or 56 pounds, steamer's option, prepaid as customary, and no piece to exceed 2 tons in weight, except where specified.

All shipments subject to terms and conditions of the regular line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

Per pro ED. MAURER.
CHAS H. FICTOR.

Memorandum of freight contract, made this 31st day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 35,000/40,000 wine barrel shooks, at the rate of 10 cents net per cubic foot, prepaid as customary; hence to Buenos Aires, from date to June 30, 1912, inclusive.

Shipments to be made in quantities as arranged to mutual convenience.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

J. WASSERMAN & Co.

1¼ percent brokerage to James A. Nichols.

Memorandum of freight contract, made this 29th day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 2,000 wine barrel shooks, at the

rate of 10 cents net per cubic foot, prepaid as customary; hence to Buenos Aires; shipment as follows: 1,000 November, 1911; 1,000 February, 1912.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & CO.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

J. WASSERMANN & CO.,
PHIL SEGALLER.

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[260] Memorandum of freight contract, made this 27th day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 13,200 wine barrel shooks, at the rate of 10 cents per cubic foot, prepaid as customary; hence to Buenos Aires; shipment during the following months of 1911 and 1912 in quantities as follows: August, 2,800; September, 800; October, 2,800; November, 800; December, 2,000; February, 2,000; March, 2,000.

All shipments subject to terms and conditions of the regular Prince Line bill lading.

PAUL F. GERHARD & CO.,
Per H. CONNOR,
General Agents, Prince Line.

Accepted.

Memorandum of freight contract, made this 24th day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and

Messrs. Adriance, Platt & Co., parties of the second part, for all shipments controlled by them of harvesters and binders, mowers, rakes, and parts, from New York to Montevideo, Buenos Aires, and Rosario, from date to April 30, 1912, inclusive at the following rates of freight, viz:

To Montevideo and Buenos Aires 10 cents net per cubic foot, or $4 net per ton.

To Rosario 13 cents net per cubic foot, or $5.20 net per ton.

All the above per ton of 40 cubic feet, or 2,240 pounds, steamer's option, prepaid as customary.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
General Agents Prince Line.

Accepted.

ADRIANCE, PLATT & Co.

JULY 11, 1911.

Messrs. OELRICHS & Co.,
New York City.

DEAR SIRS: We are in receipt of your esteemed favor of the 10th instant and beg to confirm agreement made with you, which is to cover all your shipments of leather to Buenos Aires, account of Messrs. Tomas & Co., the clause, as stated in your letter, to be initialed by you.

We reserve the privilege of naming steamers of the Prince Line or other lines to carry the goods.

In accordance with your telephonic communication we have booked about 2,500 cubic feet leather to go

forward under this contract per steamship *Chinese Prince.*

Yours, faithfully,

PAUL F. GERHARD & CO.,
General Agents.

Accepted.

OELRICHS & Co.

JULY 11, 1911.

MESSRS. OELRICHS & Co.,
Forwarding Department, New York City.

DEAR SIRS: Referring to our respects of even date, we omitted to repeat in writing the verbal understanding with you that, although the leather is of much greater value than $100 per package, you agree to limit the value of your shipments to this figure in consideration of the reduced rate of freight at which we have agreed to carry the same, and any claims that may occur are to be limited in settlement to this figure.

Yours, faithfully,

PAUL F. GERHARD & CO.,
General Agents.

NEW YORK, *July 10, 1911.*

MESSRS. PAUL F. GERHARD & Co.,
10 Bridge Street, City.

GENTLEMEN: We be leave to confirm the arrangement made with your Mr. Gerhard with reference to the shipping by us by the steamers of the Prince Line, for the account of Tomas & Co., leather in cases to Buenos Aires.

[261] Our instructions from Tomas & Co. are to close this contract with you from date until December 31, 1912, the understanding being that the rate of freight to be charged on such shipment of leather will be 25

cents per cubic foot, without reference to the value, and the clause reading as follows—

> It is agreed that the value of the within merchandise does not exceed $100 per package, and freight rate is fixed on this basis,

to be inserted on the bill of lading.

We would ask you kindly to acknowledge receipt of this letter, advising us if our understanding in this connection is correct and also if you will be prepared to accept our shipments on this basis.

Yours, very truly,

OELRICHS & Co.,
Forwarding Dept.
Per F. HENJES,
Manager.

Memorandum of freight contract, made this 10th day of June, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 50,000 wine-barrel shooks, at the rate of 10 cents net per cubic foot, prepaid as customary, hence to Buenos Aires; shipment up to and including March, 1912, in quantities as arranged to mutual convenience.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents, Prince Line.

Accepted.

J. WASSERMANN & Co.,
PHIL. SEGALLER.

JUNE 6, 1911.

MR. J. R. MELCHER,
New York City.

DEAR SIR: We beg to confirm engagement made with you today of 18,400 wine-barrel shooks for shipment hence to Buenos Aires, at the rate of 10 cents net per cubic foot, prepaid as customary, to go forward as follows: 1,200 barrels, August; 5,000 barrels, September; 5,000 barrels, January, 1912; 2,400 barrels, February, 1912; 2,400 barrels, March, 1912; 2,400 barrels, April, 1912.

Yours faithfully,

PAUL F. GERHARD & CO.,
Per H. CONNOR,
General Agents.

Accepted.

J. R. MELCHER.

NEW YORK, *January 27, 1911.*

MESSRS. ARKELL & DOUGLAS,
65 Beaver Street, New York City.

DEAR SIRS: We beg to confirm engagement made with you today of 21,000 barrel shooks, hence to Buenos Aires, at the rate of 10 cents net per cubic foot, prepaid as customary, for shipment as follows, viz: 5,000 barrels during February, 4,000 barrels during March, 4,000 barrels during April, 4,000 barrels during May, 4,000 barrels during June,

Shipments to go forward by steamers of the Prince Line, Barber Line, Norton Line, and American and Rio Plata Line, as arranged to mutual convenience.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

HC/NJM.
Accepted.

ARKELL & DOUGLAS (INC.),
S. R. SCOTT,
Manager South American Department.

NEW YORK, *January 4, 1911.*

[262] Messrs. HEYWOOD BROS. & WAKEFIELD CO.,
129 Charlton Street, New York City.

GENTLEMEN: We beg to confirm working agreement made with you today of all your shipments of cane and wood-seat chairs, reed and rattan furniture, children's carriages and gocarts, bent-wood chairs, rattan mats, chair cane, car seats and woven-cane web seating, folding chairs, and reed and rattan specialties hence to Montevideo, Buenos Aires, and Rosario, from January 1, 1911, to December 31, 1911, at the following rates of freight: Montevideo and Buenos Aires, 12 cents per cubic foot; Rosario, 16 cents per cubic foot.

Freight prepaid.

Shipments to go forward by the steamers of the Prince Line, Messrs. Barber & Co. (Inc.), Messrs. Howard Houlder & Partners, and Messrs. Norton & Son, as may be arranged to mutual convenience.

Shipments, if any, made by the Lamport & Holt Line to be allowed under this agreement, subject to their acceptance at above rates.

We hand you this letter in duplicate. Kindly return one copy duly approved.

Yours, faithfully,

PAUL F. GERHARD & CO.,
General Agents.

Approved January 5, 1911.

HEYWOOD BROS. & WAKEFIELD CO.,
F. H. GREEN.

CG/NJM

NEW YORK, *June 29, 1910.*

Messrs. WM. H. KNOX & Co.,
Produce Exchange, New York City.

DEAR SIRS: We beg to confirm working agreement made with you today on behalf of the Prince Line, Messrs. Barber & Co. (Inc.), Messrs. Norton & Son, and Messrs. Howard Houlder & Partners, for all your shipments of lawful merchandise hence to Montevideo, Buenos Aires, and Rosario to the end of the present year, at the following rates of freight:

	Montevideo or Buenos Aires	*Rosario*
Wheelbarrows, agriculturals, carts, wagons, rakes, forks	[1] $0.10	[1] $0.13
Chairs, desks, shovels, pumps, grindstones, lanterns	[1] .12	[1] .15
Binder twine	[2] .16	[2] .22
Hardware, per ton, weight or measurement	5.50	6.80

[1] Per cubic foot.
[2] Per bale.

Ship reserves right of charging 1 per cent on valuation.

Other articles not specified at current rates.

It is understood that you agree to confine your shipments during the balance of the present year to the above lines.

Lumber, hardwood, and kerosene are not included in this agreement.

We hand you this letter in duplicate. Kindly return one copy, duly approved.

Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Approved.

WILLIAM H. KNOX & Co.

NEW YORK, *April 5, 1910.*

Messrs. HEYWOOD BROS. & WAKEFIELD Co.,
New York City.

GENTLEMEN: We beg to confirm working agreement made with you today on behalf of the Prince Line, Messrs. Barber & Co., Messrs. Norton & Son, and Messrs. Howard Houlder & Partners for all your shipments of chairs and furniture hence to Montevideo, Buenos Aires, and Rosario to the end of the present [263] year at the following rates of freight: To Montevideo and Buenos Aires, 10 cents per cubic foot; to Rosario, 13 cents per cubic foot.

Freight prepaid.

It is understood that you will confine your shipments during the balance of the year to the above-named lines.

We hand you this letter in duplicate. Kindly return one copy, duly approved.

Very sincerely, yours,

PAUL F. GERHARD & Co.,
General Agents.

Shipments, if any, made by Lamport & Holt Line to be allowed under this arrangement (subject to their acceptance at above rates).

HEYWOOD BROTHERS AND WAKEFIELD Co.,
F. H. GREEN.

[pp. 262–263]

The CHAIRMAN. Are those joint contracts as between the conference lines?

Mr. GERHARD. No; each line makes its own contracts. Where it comes to large bulk and one line does not care to assume the responsibility of the whole contract, why, they will ask other lines to take part in that contract. Then, of course, in such contracts as are authorized those contracts are made for joint accounts, but otherwise really those contracts are made individually for each line. Only, as I state there in my declaration, the shippers have the privilege of shipping by any of those lines by making their own arrangements with the agents.

Mr. HUMPHREY. But they are limited in giving all of their shipping either to your line or to other lines in the conference, are they not?

Mr. GERHARD. Well, the merchants themselves agree to ship all their goods for that contract. They agree to ship all their goods.

Mr. HUMPHREY. They agree to ship all their goods by your line or by some line in the conference?

Mr. GERHARD. Yes. Some years ago, when the lines were all fighting and rates got down to 10 cents or even lower, none of the lines was disposed to dispatch more than one small steamer a month. The result was that at one season in New York Harbor there were any number of lighters loaded up with cargo for the River Plata and no steamers to take it. The merchants were asking, "What is the rate?" "The rate is 10 cents a foot." "Well, give me room for it." "I have not got any room. You have got to wait." See? They were ready to pay almost any price, and that is the reason why they are willing to make their contract ahead and know that they can depend upon facilities to ship.

Mr. STEPHENS. About those contracts, you stated that certain large firms were given contracts.

Mr. GERHARD. Yes.

Mr. STEPHENS. That, after those contracts were closed then the same terms were offered to the small shippers?

Mr. GERHARD. Yes; the identical terms.

* * * * *

[264] Mr. STEPHENS. There is no time for closing contracts—the field is always open?

Mr. GERHARD. Yes; we are always ready to make contracts. The great advantage in establishing a regular service is to have contracts on your books. You cannot depend on cargo when you have a 10,000-ton ship to load. You can not wait until the ship is in berth and then go out and ask for cargo. You have to make your plans ahead to load these big ships. It is impossible to do business without having a lot of cargo booked ahead.

Mr. STEPHENS. If the smaller shipper refused to make a contract, or does not make a contract with you when the terms are offered him, can he get the same rates, or what rate does he get?

Mr. GERHARD. He gets the tariff rate.

Mr. STEPHENS. He can not obtain the smaller rate?

Mr. GERHARD. He can get it on the same terms as the other people are getting it. I have always been in favor of encouraging the small shippers, because I have found those small shippers to build up into big business houses. It is to our advantage to have as many people in the trade as possible.

Mr. STEPHENS. Any time within the current year he can make the contract with you at the same terms as the larger shippers can in their contracts?

Mr. GERHARD. I should be willing to do it; certainly.

* * * * *

Mr. HARDY. Mr. Gerhard, there is one thing in your statement I do not believe I understand. You say each line makes it own contracts, and yet I understand you to say that the rates are the same.

Mr. GERHARD. Oh, yes; the rates.

[265] Mr. HARDY. If you make a contract with a large shipper, and suppose another firm makes another contract with another large shipper, is he governed by the terms of your contract?

Mr. GERHARD. The rates, you know—we agree not to cut rates.

Mr. HARDY. That is what I want to get at. When you make special terms on your own account——

Mr. GERHARD. We then agree amongst ourselves to lower the rates.

Mr. HARDY. That separate contract is in terms agreed on by the conference?

Mr. GERHARD. By the agents.

Mr. HARDY. So that any other line would make the same contract that you do?

Mr. GERHARD. Certainly. * * *

* * * * * *

[267] Mr. GERHARD. I have already explained—you speak of the Harvester Trust. The Harvester Trust does not ship goods itself. They sell goods to the merchants in New York and these are the very men that we trade with. These big concerns that ship from 50,000 to 100,000 tons apiece.

Mr. HUMPHREY. Do any of your lines give preferences——

Mr. GERHARD. I have already stated how we handle it. We drive the best bargain we can, generally, with one house first, you know, and after closing the contract with them then we notify the other shippers

that we have closed on such terms and they generally fall in line and close with us. When we have closed with the large shippers we offer the same terms to every other man who wishes to come in on the same terms. So we make no special rates for the big shippers.

Mr. HUMPHREY. In other words, your lines do not make special agreements?

Mr. GERHARD. No sir; we give it to the small shipper the same way as we do the large shipper.

* * * * *

[269] The CHAIRMAN. Is not this the situation—if some independent lines strongly backed should get into the trade and prove a menace to you, you would just take them in?

Mr. GERHARD. Probably I should try to make an agreement with them; yes. You are right.

The CHAIRMAN. If you did not do that would you not try to hammer him down?

Mr. GERHARD. Certainly, we should fight him just all we could.

* * * * *

[270] TESTIMONY OF WILLIAM E. HALM

The witness was duly sworn by the chairman.

The CHAIRMAN. You may state your name to the stenographer.

Mr. HALM. My name is William E. Halm. I am manager for R. P. Houston & Co.

The CHAIRMAN. What lines do you represent?

Mr. HALM. R. P. Houston & Co., operating a line from New York to South Africa, and one from New York to the River Plate.

* * * * *

[273] Mr. STEPHENS. You stated that the Houston Line is not a member of the conference?

Mr. HALM. Yes, sir.

Mr. STEPHENS. It does, however, participate in the pooling arrangement of the conference?

[274] Mr. HALM. I believe so. I am quite sure such is the case.

Mr. STEPHENS. Has it a partnership in the contracts made by the conference?

Mr. HALM. Yes; to answer that frankly, in the South African trade all contracts are made for the account of all the steamship lines operating, and each carries its proportion of the contract as it may be tendered to them by the shippers from time to time. In the case of a large shipper, such as the Standard Oil Co., they declare the quantity of cargo they have to move in the next 30 or 45 days and you can readily understand that the amount of their cargo is such that no one line could carry it to advantage, either to their satisfaction or that of the Standard Oil Co. When they declare the amount of their cargo, that is allocated to the several steamers that are scheduled.

Mr. STEPHENS. Including your own?

Mr. HALM. Including our own.

* * * * *

[277] The CHAIRMAN. Do you make joint contracts with the shippers in that trade?

Mr. HALM. Yes and no. Mr. Douglas, of Arkell & Douglas, filed with you a copy of the contract he has with the Houston Line. The same contract is made by us with a number of shippers, or at least covering as many of the commodities named in that contract as they may be interested in. I will file a copy of that contract with the names of the shippers with whom we have contracts a little later. That contract reads—it provides that Arkell & Douglas, referring

to that particular contract—that Arkell & Douglas shall give all shipments to the Houston Line, and we, in turn, agree to provide them tonnage for their shipments upon reasonable notice. There is nothing in that contract that implies a liberty to ship by any other lines, but as a matter of fact each contractor is allowed to ship by any of the other lines working in harmony with us.

* * * * *

[278] The CHAIRMAN. State whether or not rebates are granted.

Mr. HALM. Absolutely no.

The CHAIRMAN. How do you treat the small shipper as compared with the large one?

Mr. HALM. They are kept on the same basis. As Mr. Gerhard explained a little while ago, there are certain large firms that export enormous quantities of agricultural implements and that after contracts are closed with them the small shippers are all given an opportunity to contract on the same basis. I may say in reference to our own contract, you will find a certain rate on lubricating oil to my contractors. That rate is the same as was given to the Standard Oil Co.

Mr. AYRES. Is it graded as to the amount of shipments, probably?

Mr. HALM. That does not matter.

Mr. AYRES. It does not matter at all?

Mr. HALM. No, sir; the rate is the same, regardless of the quantity.

Mr. STEPHENS. But the contract rate is a reduced one; it is reduced below the regular tariff?

Mr. HALM. It is materially different from the regular tariff rate.

* * * * *

[286] By the way, I hand you now the contracts that I failed to hand you this morning—the New York Lubricating Oil Co. and the Union Carbide Sales Co. to South Africa—and I hand you a sample of our regular form of contract from New York to the River Plata, together with the names of 19 firms with whom I have contracts, all of whom can have any of these rates they like, even if their contracts do not include all of them. The only reason their contract does not include all is because they are not interested in them.

* * * * *

EXHIBIT NO. 36

* * * * *

[287] Engaged for account of the New York Lubricating Oil Co. with R. P. Houston & Co., as agents for the Donald, Currie & Co., Bucknall Steamship Lines (Ltd.), hitherto working as American & African Steamship Line; Union-Castle Mail Steamship Co. (Ltd.), Cayzer, Irvine & Co., hitherto working as Union Clan Line; Hansa Steam Navigation Co. of Bremen; Houston Line; Prince Line; freight room for all shipments which the New York Lubricating Oil Co. will have for Cape Town, Mossel Bay, Algoa Bay, East London, Port Natal, and Delagoa Bay during the next two years from date at the freight rates and under the conditions enumerated below, namely:

That R. P. Houston & Co., as agents of the lines mentioned, agree on behalf of said lines to furnish at least one steamer per month for all the ports mentioned, except Mossel Bay, during the term of this contract; the quantity of cargo to be shipped to be declared by the New York Lubricating Oil Co. to R. P. Houston & Co. in ample time to allow for proper sup-

ply of tonnage, and all shipments to be made in steamers named by R. P. Houston & Co.

The usual form of line bill of lading to be used; all freight to be prepaid; all goods to be delivered alongside the steamers at the loading berths at the port of New York, free of expense to the steamers.

* * * * * *

[288] Should the lines mentioned make a contract during the period of this contract for the transportation of similar articles to those mentioned in this contract at rates lower than those mentioned above, the New York Lubricating Oil Co. shall be given the benefit of such reductions on the same goods by the said steamer or steamers that carry the goods at the reduced rates.

This contract is to remain in force for a period of two years from date and to continue thereafter indefinitely, subject, however, to termination at the end of two years or at any time thereafter by a nine months' notice in writing by either party to this contract.

New York, April 22, 1909.

Accepted.

R. P. HOUSTON & Co.,
PER WM. E. HALM,
As Agents.

Witness:
R. A. NICOL,
WILLIAM B. SHEDDAN.

Accepted.

NEW YORK LUBRICATING OIL CO.,
Per H. J. HALL, JR.,
Assistant General Manager.

* * * * * *

EXHIBIT 37

Memorandum of freight contract made this 15th day of November, 1912, between Messrs. R. P. Houston & Co., as agents, and the Union Carbide Sales Co. for all the shipments controlled by them of carbide of calcium during the year 1913 to Cape Town, Mossel Bay, Algoa Bay, East London, Port Natal, Delagoa Bay, and Biera, at the following rates of freight:

* * * * *

All shipments to be made from New York by steamers of the undernamed companies: Union-Castle Mail Steamship Co. (Ltd.), Bucknall Steamship Lines (Ltd.), hitherto working as American & African Line; Union-Castle Mail Steamship Co. (Ltd.), Cayzer, Irvine & Co., hitherto working as Union Clan Line; Hansa Steam Navigation Co. of Bremen; Houston Line; Prince Line.

It is also mutually agreed and understood that this contract covers the entire shipments controlled by the Union Carbide Sales Co. for shipment to South and East African ports and outports, and that on shipments to outports, or ports not named in this contract, the usual advance over the rates to ports named in this contract is to be charged.

R. P. HOUSTON & Co.,
Per WM. E. HALM.

UNION CARBIDE SALES CO.,
By J. R. CRAWFORD,
Assistant Secretary.

NEW YORK CITY, *November 15, 1912.*

* * * * *

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EXHIBIT 38

Memorandum of freight contract made this _____ day of _____, 1912, between R. P. Houston & Co., party of the first part, and Messrs. _____ _____, party of the second part, for their entire shipments from New York to Montevideo, La Plata, Buenos Aires, Rosario, and Bahia Blanca from date to April 30, 1913, included.—

Party of the first part agrees to provide tonnage for all shipments which party of the second part has for shipment, provided reasonable notice of intention to ship (say 20 days) is given, at the following rates of freight:

* * * * * *

It is mutually agreed and understood that this contract covers the entire shipments of Messrs. _____, estimated to amount to about _____ tons, from New York to the River Plata ports, and shipments shall only be made by steamers designated by R. P. Houston & Co.

It is further agreed that in case R. P. Houston & Co. reduce the rates of freight to any other shipper or shippers on any of the articles above mentioned during the period covered by this contract, then Messrs. _____ are to be accorded the benefit of all such reductions during the period that said rates are reduced.

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EXHIBIT 39

River Plate contractors

American Trading Co.
Arkell & Douglas.
Chipman (Ltd.).
Donnell & Palmer.
Dufourcq & Co.
Graham, S. M.
Haebler & Co.
Hagemeyer Trading Co.
Markt & Schaefer Co.
Marquardt & Co., H.

Marsily & Co., F. A.
Peabody & Co., H. W.
Peck & Co., Wm. E.
Ramsperger & Co., H. G.
Rose & Co., L. P.
United Shoe Machinery Co.
Staudt & Co.
Swift & Co.
Williams & Co., J. D.

* * * * * *

[302] TESTIMONY OF MR. PAUL GOTTHEIL, REPRESENTING FUNCH, EDYE & CO., OF NEW YORK

* * * * * *

[341] Mr. GOTTHEIL. Yes, sir. I would like to make a statement here, Mr. Chairman. Of course, the contract with the Standard Oil Co. is a contract that provides for a certain quantity of case oil. Now, that is purely and absolutely competitive business, with the open tramp tonnage. Of course, if your committee rules that I must submit that with rates I will, of course, cheerfully obey; but I do not think that I should be asked in this particular instance to let the whole world know, for instance, that our rate to Java is 30 cents, or our rate to Java is 10 cents. I am trying to work up a regular trade and I do not think the rate would help you here, but I will give the committee any information it desires.

The CHAIRMAN. We will take that up with you later and determine definitely about it.

Mr. HARDY. Would you give any other shipper the same rates under the same kind of contract?

Mr. GOTTHEIL. There is no other shipper of case oil.

Mr. HARDY. But suppose there should be. I had in mind a company that might possibly enter into competition. Take the Texas Co. They produce a great deal of oil.

Mr. GOTTHEIL. If they gave the same quantities; yes.

[342] Mr. HARDY. In other words, you would give

the same contract to them that the other people have.

Mr. GOTTHEIL. Yes; if they gave the same quantity they could get it on the same basis.

* * * * * *

[368] Mr. GOTTHEIL. I should like just a minute. It will not take me more than a minute. I have here before me, gentlemen, the "Report of the Royal Commission on Shipping Rings," which was presented to both Houses of Parliament in connection with a question similar to that which is now being investigated by this committee.

* * * * * *

[369] The CHAIRMAN. I will say to you this: That months ago we went through that. We have it.

Mr. GOTTHEIL. If you will pardon me, I will say it expresses so thoroughly my views on the question of the conference and on the question of the rebate system that I should like very much to have pages 38 to 50 embodied in the record as part of my testimony before your committee.

The CHAIRMAN. Is there any objection?

Mr. HARDY. I have no objection. That is the substance of their findings in favor of conferences, is it not?

Mr. GOTTHEIL. Yes.

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PART IV

ADVANTAGES ATTRIBUTED TO THE SHIPPING CONFERENCE AND DEFERRED-REBATE SYSTEM

111. It has been generally recognized by economists and writers on trade organization that the various forms of transport or locomotion should be classed among the trades where monopoly may secure very great advantages. Whether the service of carriage

by sea is one in which the disadvantages of monopoly are outweighed by its advantages is the main question in issue in this inquiry. Monopolies or combinations are, so far as production is concerned, beneficial in proportion as they bring about the substitution of something which is more for something which is less valuable, or enable more of a particular thing or service to be produced or provided at a decreased cost. It will therefore be material to consider how far the system of shipping conferences and deferred rebates conforms to these tests.

112. The chief advantages claimed by its advocates for the system may be classified as follows:

(1) Improvements in service by—

(a) The institution and maintenance of regular sailings and stable rates of freight.

(b) The provision of steamers of high class and speed.

(2) Economy in cost of service.

(3) More economic distribution of cost of service.

(4) The maintenance of equal rates from the United Kingdom and the Continent.

(5) Uniform rates of freight to all shippers, large or small.

(6) No carriage on ship's account.

We shall accordingly in this part of our report consider in what sense these are real advantages, to what extent they are guaranteed by, and how far they are dependent upon, the system of shipping conferences and deferred rebates.

* * * * *

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* * * * *

158. Assuming then that shipping conferences are necessary to the provision of the advantages above dis-

cussed, there remains the important question [379] whether shipping conferences can effectively exist without some tie upon the shipper either in the form of the system of deferred rebates, or in some other form.

159. We shall in Part V of this report show that the power which combinations of shipping companies are enabled to obtain by means of the system of deferred rebates is abused. If, therefore, the advantages, enumerated above, which are derived from the operations of shipping conferences at the present day are in no sense or only in an inconsiderable degree dependent upon the system of deferred rebates, it is clear that the main arguments in support of that system fall to the ground. If, on the other hand, these advantages are inseparable from the existence of an effective rebate system, the question still remains whether these advantages outweigh the disadvantages which may arise from the abuse of the system. The latter question may, however, be more properly considered in a later part of the report, when we have dealt with the complaints which have been made against the system.

160. The witnesses who have given evidence on behalf of the shipping conferences claim that without some guarantee of the custom of the shippers they would be unable to undertake to dispatch vessels at fixed dates without waiting until their holds were full, or to abstain from shipping cargo on their own account, and from entering into contracts with the more powerful shippers for preferential rates, or to maintain rates of freight at an equal level over long periods, or so to adjust their charges as to encourage trade. They assert that it is necessary that they should have some tie upon the shipper, some guarantee of his custom; and, omitting for the moment the question whether the deferred rebate is the most satis-

factory form of tie, let us consider how far this assertion is warranted.

161. Strong support for the contention of the shipowners is, we think, to be found in certain conditions of the shipping trade which are peculiar to that trade. In the first place, a ship is not like a railway train. In the case of the latter the number of coaches or trucks can be diminished or increased to suit the momentary exigencies of traffic. But a ship is a fixed unit, and in the present day, a fixed unit with a large and increasing cargo capacity. And this increase in the size of vessels, which, owing to the economies in cost to which it leads, is desirable in itself, would not, we think, be effected in the case of the liner unless there were some guarantee that the increased space would be filled.

162. In the second place, unrestricted competition in the shipping trade differs in certain important respects from unrestricted competition in other forms of industry. Competition on the part of a manufacturer usually involves the outlay of considerable capital, and the construction of premises and works implies an intention of establishing a fresh and permanent source of production. The capital of a manufacturer, that is to say, is to some extent fixed and immovable. A ship, on the other hand, or indeed, though in a considerably less degree, a line of ships, is the most mobile form which invested capital can take. Little, if any, outlay is involved in taking ships off one route and placing them on another; nor is there under a system of open competition any obligation to continue running them on a particular route when trade on that route is depressed and rates rule low. In other words, the competition thus introduced offers a means of transport quite different from the service offered by the regular lines into whose trade it has cut, and one which

costs it less than their regular service costs the conference lines. Yet in the case of any particular sailing the difference is immaterial, so far, at least, as many shippers are concerned. Shippers would, naturally enough, like to have the organized service of the regular lines, together with the additional and competitive sailings of tramps, rather than

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regular lines without these. The effect of the tie which the shipowners demand is to compel a choice between the service of regular lines and the sailings otherwise offered.

163. In this consideration, we think, the answer to be found to the argument which has been advanced that, if the advantages above referred to are really to the benefit of trade, they will be supplied under the ordinary operations of the law of supply and demand. We are of opinion that if shipowners were forbidden to use any means to secure custom other than the excellence of their service, the maintenance of a service offering these advantages would become impracticable. Shippers, even while admitting that it would be to their ad-[380]vantage collectively to ship only by the conference lines, would individually ship by tramps whenever a suitable opportunity offered. Indeed, the competition of their fellows would compel them to do so. And the loss of revenue thus occasioned to the regular lines would render it necessary for them to choose between abandoning their services or conducting them in a very different way.

164. In expressing this opinion we do not lose sight of the fact (1) that regular sailings of high-class steamers were given before the introduction of the rebate system, nor of the fact (2) that these advantages have been since and are now given in trades

where the system is not in operation. As regards (1) we would point out in the first place that, though the rebate system did not exist, the contract system did, and in the second place that, as shown in paragraphs 30–34, it was only with the development and extension of regular lines in response to the new demands of trade that the necessity of the rebate tie became apparent. As regards (2), it appears to us that those trades in which the advantages above mentioned have been or are now given without any such tie are cases in which either the conference has for some other reasons a monopoly of the trade, or cases in which the imposition of such a tie would for other reasons be impracticable and unnecessary. An instance of the former cases is the north Brazil trade, of which the Booth Line held the monopoly in an open freight market up to the introduction of the rebate system in 1895. Of the latter an example is the north Atlantic trade for reasons already explained in paragraph 57.

165. The export trade of the United States of America has been spoken of by some of our witnesses as an instance of a trade in which regular sailings and many of the other advantages of an organized service are given without any tie upon the shipper. This presentment of the case, however, is hardly accurate. In the first place the cargo service of the United States of America—we do not refer to those routes in which the passenger traffic dominates the service, as e. g., in the trade to this country—though probably sufficiently organized for the peculiar needs of the trade of that country would be by no means adequate for the needs of the export trade of the United Kingdom. Secondly, such organization as exists is not given without any restrictions upon competition.

The bulk of the exports of the United States consists of raw materials and foodstuffs shipped in large quantities, for which an organized service is not required. The general merchandise is relatively small in amount and in the absence of the rebate system a service with some organization is obtained for it by means of the preferential contracts which the shipping companies have entered into with the large trusts and combinations of manufacturers. These contracts, by insuring the supply of considerable amounts of freight at fixed dates, render it possible for the shipping companies to supply fairly regular sailings and to some extent to maintain rates at a stable level. We would further observe that in several cases the shipping companies carrying from the United States have obtained the security of custom denied to them by United States law in the outward trade by imposing a rebate system upon inward freight. This has been done, e. g., in the trades to the United States from South Africa, the Far East, Calcutta, Madras, Ceylon, and in the trades with South America.

166. We are then of opinion that for the reasons stated above and with the qualification stated in the preceding paragraph, the shipowners are justified in their contention that in supplying the advantages required it is essential for them to have some tie upon the shippers.

167. The only tie brought to our notice in the evidence which in our opinion would at the present day be effective both in binding the shippers and insuring all the advantages of the conference system in the degree in

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which they are now given is the deferred rebate. In certain trades and with regard to certain commodities the support of shippers has been obtained by a system

of contracts. The only advantage urged on behalf of this system, an advantage probably greater in theory than in practice, is that the contract is terminable at a certain date and the shipper is left free to make new arrangements without any such loss as is involved in the case of the rebate. On the other hand, it is open to certain objections. In the first place, to form an [381] effective tie the contract must be for a long period. Secondly, as an alternative to the system of deferred rebates, the contract system does not appear to be uniformly applicable to all shippers in a large and general trade. In those trades in which it is used it is generally confined to one particular commodity, and in every case the shippers are comparatively few in number and well known. There is therefore no difficulty in finding them, and, when their support has been secured by contract, the shipowners have thereby obtained a guaranty of the bulk of the trade. In a large general trade, on the other hand, the shippers are many in number, and they vary from year to year and from month to month. A system of contracts therefore, in a trade of this character, would probably take the form of the system which existed before the introduction of the rebate system. The shipowners, that is to say, would make contracts at low rates of freight with the large merchants who were known to them, and the small and casual shipper would have to pay a higher rate. This is in fact the system which now exists in the export trade of the United States.

168. Moreover, we consider that the agreements under which equal rates are charged on traffic from the United Kingdom and Continent are, in a large degree, attributable to the rebate system, one great merit of which is that the tie which it imposes is an open one and bears on all merchants alike. Were the rebate system to be rendered illegal, it appears to us

That there may be no misunderstanding, won't you kindly acknowledge receipt of this letter?

Yours, respectfully,

SWIFT & Co.,
Per A. R. FAY.

Mr. MOONEY. Many of the outward forms, Mr. Chairman, are in letter form, but they simply differ as to rates.

The CHAIRMAN. Without referring to them in detail, give us the general features of those contracts—in other words, do you give one shipper a less rate than any other shipper under any conditions whatever?

Mr. MOONEY. Yes, sir; we do.

The CHAIRMAN. Now, without referring to any detail, give us the general features of those contracts—in other words, do you give one shipper a less rate than another shipper under any conditions whatever?

Mr. MOONEY. Yes, sir; we do.

The CHAIRMAN. What are they?

Mr. MOONEY. For example, we have contracts for the carrying of sugar. We have one contract that covers a period of three years or more, which averages 70,000 tons of sugar—from 50,000 to 70,000 [635] tons of sugar—originating at one plantation at which there is no ports and no other shipper from that particular place in the island. Southbound—meaning from the States to Porto Rico—we have made various contracts with shippers on a basis of regular sailings, covering a period of perhaps six months or a year.

The CHAIRMAN. Now, at a given time does a large shipper get a more favorable rate than a smaller shipper?

Mr. MOONEY. Yes, sir; all shippers get a more favorable rate possibly at certain times.

that the shipping companies would find it necessary to secure the custom of shippers by the adoption of preferential contracts on a large scale. And whether the abolition of the rebate system in this country would lead to its breakdown on the Continent or not, it seems certain that the adoption of a system of preferential contracts in this country would necessarily involve, to a large extent at any rate, the adoption of a similar system on the Continent. In such a system, necessarily involving arrangements of a secret character, we are of opinion that the same security for the charging of similar rates could not exist. In certain cases, it is true, where shipments of a large quantity are forthcoming, contracts are made by shipping conferences making use of the rebate system, and, where the tie between the British and continental lines is a close one, the terms of these contracts have to be made known to the whole conference. But, if the contract system largely or entirely superseded the system of deferred rebates, we are of opinion that contracts would have to be made so generally and on such a large scale that such consultation would be impracticable.

169. Our opinion on the whole matter may be summarized as follows:

1. The advantages conferred by shipping conferences are substantially dependent upon the system of deferred rebates, or some system equally effective as a "tie" upon the shippers and equally uniform in its application.

2. If the rebate system were abolished, shipowners would endeavor to secure the custom of shippers by making contracts with them covering long periods.

3. The contract system would in large general trades lead to the making of preferential contracts with large at the expense of small shippers.

* * * * *

The CHAIRMAN. Well, take a particular sailing, cargoes going in the same vessel to the same port, of the same commodity. Does one shipper get a more favorable rate than another and, if so, under what conditions?

Mr. MOONEY. Yes, sir; he may in a case of that kind. As I say, there are times when our rates, because of competition which we meet, are, perhaps, lower than the tariff, possibly 50 to 70 per cent. The shipper, who is shipping on that particular steamer, may get 50 to 70 per cent. We have other contracts with shippers for a period of a year, who are willing to make it, perhaps, 25 per cent from our regular tariff on which we guarantee regular sailings, so that he is not interested in an extra discount. He wants us to make a contract with him to provide regular and frequent sailings.

The CHAIRMAN. But those differences in rates only apply to cases where you have a contract with a shipper covering a definite period, say six months or more, and providing for regular sailings?

Mr. MOONEY. Unless the shipper is willing, for any reason, to pay us even more than the best rate we can get at the time the ship is sailing.

The CHAIRMAN. A shipper would not be inclined to do that, would he, unless there was some special inducement?

Mr. MOONEY. He would, sir.

The CHAIRMAN. How is that?

Mr. MOONEY. For instance, there are times when there is a commodity that must move—machinery, perhaps, for sugar mills, that is urgently needed. Our space may be very limited. It may be a peculiar shipment of heavy machinery—boilers, engines, pieces weighing anywhere from 2 to 20 tons—and we may be allowing a discount on that particular steamer, but

[385] TESTIMONY OF MR. WILLIAM BOYD, OF NEW YORK CITY, PRESIDENT OF HOULDER, WEIR & BOYD

Witness sworn by the chairman.

The CHAIRMAN. Give your name and state the line or lines you represent.

MR. BOYD. My name is William Boyd; I am president of Houlder, Weir & Boyd. We represent the American & Oriental Line in the trade between New York, China, and Japan and the Far East, and [386] the American Rio Plata Line, which trades between the United States and Argentine ports.

* * * * *

[390] The CHAIRMAN. You say you have some contracts with shippers in both of these trades? Can you furnish to the committee copies of some of those contracts?

Mr. BOYD. With pleasure. Those are just every-day contracts.

* * * * *

Mr. STEPHENS. Are your contracts generally made with large shippers?

Mr. BOYD. A few with large shippers, because there are only a few large shippers. The majority of our contracts are with small shippers.

Mr. STEPHENS. Do you give a small shipper the same rate of freight you do to the large shippers?

Mr. BOYD. Exactly the same.

Mr. STEPHENS. Is the contract open for any length of time? Do you have one time to make contracts, or is that open always?

[391] Mr. BOYD. Any time a shipper cares to contract we are willing to contract with him.

Mr. STEPHENS. If you make a large contract with a shipping firm today, are you ready in 10 months—if they are made for one year—are you ready in 10

months to make the same kind of a contract, giving the same rate, to a small shipper for the balance of the year?

Mr. BOYD. For the two months?

Mr. STEPHENS. For the two months.

Mr. BOYD. Yes.

Mr. HARDY. It occurs to me that maybe you might have reasonably held to yourselves the right not to do that kind of thing. Suppose tonnage has gone up in the meantime, very much from what it was when you made the contract at the beginning of the year. Now, the 1st of October comes and tonnage is very much higher then than it was when you made that contract; would you still give the balance of the two months on the same rate that you now give?

Mr. BOYD. In the River Plata trade that has been the policy.

Mr. HARDY. You hold that rate for the contractual year as a unit?

Mr. BOYD. Yes.

Mr. HARDY. And make the trades uniform during that year?

Mr. BOYD. Yes.

Mr. HARDY. It seems to me you are more than fair.

Mr. STEPHENS. The contracts you make with those shippers are generally at less rates than the regular tariff rates?

Mr. BOYD. Yes and no. Some of the contracts are at less than the tariff rates. Others, if the shippers wish to be protected against a rise in the tariff, are at the tariff rate. In other words the contract may be at the tariff rate when made, but before the ship gets there it may be less than the tariff rate.

Mr. STEPHENS. But, generally speaking, the rate is a less one than that carried by the regular tariff?

Mr. BOYD. Yes, sir.

[416] TESTIMONY OF HERBERT BARBER, PRESIDENT BARBER & CO. (INC.), 17 BATTERY PLACE, NEW YORK

The witness was duly sworn by the chairman.

The CHAIRMAN. Give the committee your name in full, and your address, also the business in which you are engaged.

Mr. BARBER. Herbert Barber, Englewood, N. J., and my business at present is with Barber & Co. (Inc.), steamship agents and steamship owners, at 17 Battery Place, New York.

* * * * *

[446] The CHAIRMAN. I believe in your testimony yesterday you said you had some contracts with shippers?

Mr. BARBER. Yes, sir.

The CHAIRMAN. Have you copies of those contracts here?

Mr. BARBER. No; I will send them down, if you wish it. In fact, I laid some out on my desk and intended to bring them when I came down, but for some reason I overlooked them.

The CHAIRMAN. We will be glad if you will do so.

Mr. BARBER. I suppose I will be down next week or the week after. I will proceed to let you have them before you get through with the proceedings.

The CHAIRMAN. Tell the committee whether or not you give to the large shippers and the small shippers the same rate; in other words, is there a discrimination between large shippers and small shippers in the rate given them?

Mr. BARBER. As far as the River Plata and the Far East, China and Japan, we do. We try to make the same rates to each, although sometimes we will give a man a contract rate, if he will give us his business

for the entire year, and a better figure than a man who simply ships a carload here and ships a carload somewhere else next time.

The CHAIRMAN. Do you give a man who makes you that kind of a contract the same rate?

Mr. BARBER. We do.

The CHAIRMAN. Without reference to the tonnage he may ship?

Mr. BARBER. Yes; but if we find a man—a little pettifogging man—we would not want to make a contract with him. We would not want to bind our files up with a small shipper of that kind. Any man who is a good-sized man we will make a contract with him.

The CHAIRMAN. But you will not do it for the small shipper?

Mr. BARBER. No.

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[447] TESTIMONY OF JOSEPH T. LILLY, OF NORTON & SON, PRODUCE EXCHANGE, NEW YORK

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give your name to the committee, your address, and your business.

Mr. LILLY. Joseph T. Lilly, a member of the firm of Norton & Son, Produce Exchange, New York.

The CHAIRMAN. What is your business?

Mr. LILLY. Steamship agents and brokers.

* * * * *

[460] Is that the agreement in effect between your lines in the Australian trade?

Mr. LILLY. Several owners furnish the steamers and probably arrange the sailings to fit in with the position of the steamers.

The CHAIRMAN. That is what I am trying to get at. I believe you say there are no deferred rebates?

Mr. LILLY. No, sir.

The CHAIRMAN. Or other privileges or advantages to shippers?

Mr. LILLY. No, sir.

The CHAIRMAN. Do you make any contracts with shippers?

Mr. LILLY. Yes, sir.

The CHAIRMAN. Do you grant to the larger shipper a different rate than that which is given to the small shipper?

Mr. LILLY. No, sir; every shipper gets the same rate, and when we make a contract, if that rate is lower than the then tariff rate or current rate, we reduce our tariff or current rate to be the same as that contract rate, so every shipper gets it without a contract.

Mr. HARDY. Do you mean to say that if you made a yearly contract with one man you put your tariff rates down to that yearly rate?

Mr. LILLY. Yes, sir.

Mr. HARDY. Then you have one single yearly rate that would prevent you raising your rates during that year to a customer, would it not?

Mr. LILLY. Yes, sir; it has done so.

Mr. HARDY. That would destroy your right of changing your rates—just one contract would do it, would it not?

Mr. LILLY. But we do not make contracts for everything. One man makes a contract for automobiles, another for agricultural machinery, and another for lubricating oil, etc.

Mr. HARDY. So that when you make one yearly contract with reference to a certain article you can not change that rate after that to anybody else, can you?

Mr. LILLY. We do not change it. We made a contract last year for automobiles, and we raised our

rates during the year 5 shillings and did not raise the automobile rate.

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[573] TESTIMONY OF MR. PHILIP A. S. FRANKLIN, VICE PRESIDENT OF THE INTERNATIONAL MERCANTILE MARINE CO., NEW YORK

* * * * *

[615] The CHAIRMAN. We were referring to agreements with shippers.

Mr. FRANKLIN. Now, I have here the form, the only form that we have in our eastbound agreement with shippers, and I have just had them give me two at random, which I would rather not submit in that way for the record, because they have the name and rate of freight, but there are the blanks which are exactly verbatim to these.

The CHAIRMAN. That is the form of the agreement?

Mr. FRANKLIN. That is the form of the agreement.

The forms of agreement here submitted by Mr. Franklin were marked for the stenographer Exhibit No. 64.

The CHAIRMAN. Is that the only form of agreement?

Mr. FRANKLIN. No, sir; the great majority of our agreements are made on either brokers' notes, which is really only a memorandum sent along by the freight broker to us, or by letter. As a general proposition our shipping arrangements with the firms are not made on any agreement—simply confirmed by brokers on brokers' notes and we pay the broker 1¼ percent.

The CHAIRMAN. Are there any deferred rebates on eastbound traffic?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. Are there any discriminations between shippers on the freight eastbound?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. Any discrimination between the shippers on the freight eastbound?

Mr. FRANKLIN. No, sir. The shipper can get at the same time—any shipper can—at the same time and under the same conditions, the same rate.

The CHAIRMAN. What are those conditions?

[616] Mr. FRANKLIN. It is entirely a question of supply and demand. If a grain shipper comes in tomorrow and wants a rate of freight for next June, we may name him, as we would today, 3½ pence; if we took all the June shipment of corn that went at 3½ pence, our next day may be 4 pence, but every shipper gets the same rates for the same condition.

The CHAIRMAN. Irrespective of quantity?

Mr. FRANKLIN. Yes; irrespective of quantity. If a man came in with a tremendous quantity of grain and made a firm offer, we may find it would be a big influence to have to break the rate for the time being, but then we would probably take in the same load at the same rate. The rate once broken establishes it. It is a question of supply and demand, and a question of what steamer can be employed and how they can be used.

The CHAIRMAN. The purpose being to employ it——

Mr. FRANKLIN. In the most profitable way you can; and I venture to say that the average tramp steamer could not be chartered and put into any of the United Kingdom and continental trade and take their general traffic and pay its way.

Mr. HUMPHREY. They would not have the same facilities you do, would they?

Mr. FRANKLIN. They would not have the same facilities that we do in one sense of the word, but

their facilities might cost them less if they charged them up, because they may be able to go to some place and get wharfage at very much less than our ships, because we have to have proper terminals. They only come in occasionally, but the disadvantage is on general cargo; that is the point I made this morning. They are on an equal basis when it comes to big, bulk traffic. I would not say "equal," but pretty close to being equal; but when it comes to general cargo they are not on an equal basis.

Mr. HARDY. When a contractor wants to ship out a lot of lumber from southern ports, they can get a chartered vessel that will be on the same basis and have the same facilities that you might have?

Mr. FRANKLIN. Yes; he may have to pay a little bit more on terms, but that is all there would be.

The CHAIRMAN. When it comes to regular trade and regular cargo which must be dispatched at regular intervals they can not compete and could not maintain themselves at the same rate?

Mr. FRANKLIN. Could not maintain themselves at the same rate, and they could not compete, because the merchant must have regular service and ship every week, and he is quite ready to pay the regular line more than the tramp ship, in order to get those facilities for the miscellaneous general contracts. A great many of them want to make contracts for the balance of the year and sell goods on those contracts. They do not want a fluctuating rate; they want a fixed rate; they want to know when they are going to go and what facilities they are going to have.

The CHAIRMAN. Because they realize that the rate may go up. If it would go down they would not be concerned. That is the reason they make contracts.

Mr. FRANKLIN. Just like that contract I have sub-

mitted, because that settles them for the balance of the year.

The CHAIRMAN. If there is a chance of the rates going down, rather than going up?

[617] Mr. FRANKLIN. The chance that the rate is going down is not going to hurt them, but if it should go up it would hurt them.

The CHAIRMAN. I say, the chances of the rates going up is the inducement for them to enter into the contract?

Mr. FRANKLIN. That is right; it is a protection to the shipper.

The CHAIRMAN. Where you have this contract, is it the understanding that the shipper shall give all his shipments to the line?

Mr. FRANKLIN. It is always a matter of stipulation. There are some shippers who will make a contract with you, in accordance with this form of contract, whereby we are to get all the business of this shipper for the balance of the year. Another shipper may come in. He may want to ship 12,000 or 15,000 tons of stuff, and he may say, "I would like to ship and make a contract with you to give you 8,000 tons. I will want to keep my other 4,000 or 7,000 tons to be moved as I see fit," and as long as he commits himself to the rate that we agree upon it is quite satisfactory. We will always try to get as much business as we can from the shipper.

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[625] The CHAIRMAN. We want to get back to the question of publicity. I want you to develop that idea, how far we should go in the way of legislation.

Mr. FRANKLIN. The only thing we feel could possibly be done—and I do not know whether the majority of the shipping trade agree with me on that or not—is the question of filing the rates at some place

in Washington for general supervision, to which shippers can apply and see what rates are in force at the time and what other people are getting. We feel there is no other way to conduct our business except by working together in the manner in which we are now working.

The CHAIRMAN. Well, of course, if this discrimination or rebating exists in any trade, would it not be a good thing to prohibit that?

Mr. FRANKLIN. Absolutely. And I think this, that the object in filing it would be that there is the rate of that day. We would have to prove in the case of any difficulty that we offered to a shipper that rate on that day, that everything was equal to all, and equal chance [626] to everybody to ship at that time. We might get all we wanted today, and we might be out of the market tomorrow.

The CHAIRMAN. Do you say, with reference to deferred rebates also, that they should be prohibited by law?

Mr. FRANKLIN. We have never used deferred rebates, and I know very little about them. They have been, by people who have used them and by lines who have used them, found very advantageous not only to the shippers, but to the steamship companies. But I think the sentiment in the United States regarding the rebates is such that I do not care about advocating that we be allowed to have them.

The CHAIRMAN. Some of the shipping lines, as well as some of the merchants, I think, have voiced the opinion that they ought to be prohibited by law.

Mr. FRANKLIN. The very word "rebate" in the United States has not a very satisfactory meaning. I do not think there is any use of our pressing for anything of that sort.

The CHAIRMAN. Then, again, with reference to the

agreements between the conference lines, what do you say about the law requiring those agreements to be filed, say with the Interstate Commerce Commission or some other like tribunal, instead of having all this doubt as to whether or not they are legal, and remove any controversy of that sort.

Mr. FRANKLIN. I feel that the present position of the steamship companies is rather an unfortunate one, where all their agreements are looked upon with suspicion, more because the other fellow does not know what is in them than because of what is really in them, and I think, as far as agreements pertaining to business from the United States are concerned, it would not be at all prejudicial to business to have them filed.

* * * * *

[629] TESTIMONY OF MR. FRANKLIN D. MOONEY, VICE PRESIDENT AND GENERAL MANAGER OF THE NEW YORK & PORTO RICO STEAMSHIP CO. AND GENERAL MANAGER CLYDE SANTO DOMINGO LINE, 11 BROADWAY, NEW YORK, N. Y.

* * * * *

[632] The CHAIRMAN. Have you any such agreement or understanding, regarding deferred rebates, or other privileges and advantages?

Mr. MOONEY. We have none.

The CHAIRMAN. As between yourselves and shippers?

Mr. MOONEY. We have none with other lines nor with shippers. I might say, however, on that point, sir, we have special contracts with shippers, but no system of rebates.

The CHAIRMAN. Have you sample copies of those contracts showing the different forms?

Mr. MOONEY. I have, sir, here, and will be glad to furnish them.

The CHAIRMAN. You may furnish the committee a copy of each contract, showing the form of contract in existence between yourselves and the shippers. We do not want all the contracts, but we want every different form of contract between yourselves and the shippers.

Mr. MOONEY. I think, perhaps, a form for the outward and a form for the homeward would cover that, and I will leave them with the stenographer.

The CHAIRMAN. Let them be identified as exhibits.

The documents here submitted by the witness were marked by the stenographer "Exhibit No. 66," and are as follows:

EXHIBIT NO. 66. SWIFT & CO., "PONCE" REFRIGERATOR CONTRACT, FROM JUNE, 1912, TO MAY, 1913

Memorandum of agreement made at New York this 23d day of May, 1912, between Swift & Co., hereinafter called the "Shippers," and the New York & Porto Rico Steamship Co., hereinafter called the "Steamship Company."

In consideration of the sum of $1 paid by each to the other, receipt of which by each of the parties hereto is hereby acknowledged, and of the mutual covenants herein set forth, the parties hereto agree as follows:

1. The Steamship Company agrees that during the life of this contract and subject to the conditions specified below the Shippers are to have the exclusive use of both ice boxes or refrigerators at present installed on the steamship PONCE, for the transportation of fresh meats and other perishable products of the Shippers, at the rate of $700 per trip from New Orleans, La., to San Juan, P. R. (landed on dock at the latter port).

* * * * *

[633] VIII. It is mutually agreed that the shippers are to have the privilege of forwarding via steamers of other lines than those of the New York & Porto Rico Steamship Co. 10 per cent of all their provision shipments between the United States and Porto; but in consideration of the rate named hereunder on the *Ponce's* refrigerators, it is understood that during the life of this agreement all their remaining provision cargo is to be shipped by the steamship company's vessels.

IX. It is further mutually agreed that if any general reduction is made by the steamship company in its present freight rates on commodities handled by the shippers, the latter are to have the proportionate benefit of such reduction [634] during the period for which it is in force, except that no reduction is to be made in the rates herein named on the *Ponce's* refrigerator space.

In witness whereof the said companies have executed this agreement in duplicate the day and year first above written.

SWIFT & CO.,
By A. R. FAY.
THE NEW YORK & PORTO RICO STEAMSHIP CO.,
By FRANKLIN D. MOONEY,
Vice President and General Manager.

Witnesses:
GEO. D. CHASE.
JNO. E. CRAIG.

DECEMBER 6, 1912.

MESSRS. SWIFT & CO.,
Chicago, Ill.

GENTLEMEN: We acknowledge receipt of yours of the 30th ultimo, file E–217, which agrees in essential

[864] TESTIMONY OF R. P. SCHWERIN, VICE PRESIDENT AND GENERAL MANAGER PACIFIC MAIL STEAMSHIP CO. AND SAN FRANCISCO & PORTLAND STEAMSHIP CO., SAN FRANCISCO, CAL.

* * * * *

[879] Mr. SCHWERIN. For 20 years we have had an understanding with the Apgar Line on gunnies from Calcutta to Pacific coast points, and all the lines operating across the Pacific have worked under that agreement.

The CHAIRMAN. Tell the committee what that agreement is.

Mr. SCHWERIN. That is a contract for the movement of gunnies at a certain rate, provided it is shipped in certain quantities, which has varied from the contract system down to the deferred rebate system. At the present time it is the deferred rebate system.

The CHAIRMAN. I did not catch that last remark.

Mr. SCHWERIN. At the present time it is the deferred rebate system.

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[904] Mr. HUMPHREY. In other words, it has reached a condition where competition in modern ocean-carrying trade is likely to lead to a monopoly by the stronger one devouring all the others?

Mr. SCHWERIN. Competition produces ruin to the weak man and strength to the strong man eventually.

Mr. HUMPHREY. Until it results in a monopoly?

Mr. SCHWERIN. Yes; a monopoly. Now, it is much better for the public to be served at reasonable rates and afforded plenty of service than it is for the public to be served by cut rates, nobody knowing what the other fellow is getting, the merchants only getting the advantage of each other; that is, the big merchant having the advantage over the little merchant. It is not only a question of the little carrier over the big

with the writer's conversation with your Mr. Chase except that this agreement will not cancel contract now existing.

The understanding is that the Porto Rico Line will transport not less than 90 per cent of packing-house products shipped by Swift & Co. from New York at our present tariff rate less 25 per cent, and Swift & Co. reaffirms agreement to confine to our line not less than 90 per cent of the packing-house products moving to Porto Rico.

Yours, truly,

_____,

General Freight Agent.

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[634] PORTO RICAN CONTRACT

CHICAGO, *November 30, 1912*

Mr. V. K. HULL,
General Freight Agent, New York & Porto Rican Steamship Co.,
11 Broadway, New York, N. Y.

DEAR SIR: This will confirm our telegram, 29th instant, advising we would accept the proposition you made our Mr. Chase, in New York on Monday, that on all Porto Rican provisions we may ship via your steamers from New York from date to end of December 1913, we are to pay you your present tariff rates less than 25 per cent, and it is further understood that we are to ship via your steamers 90 per cent of our Porto Rican business. This new arrangement to cancel any previous agreements we may have had with you.

carrier, but of the big merchant over the little merchant, because the big merchant, in a rate war, always gets the advantage over the little merchant; the carrier goes after the big fellow to get a lot of freight and gives him the advantage.

* * * * *

[921] The CHAIRMAN. What would you say as to the practicability and desirability of requiring contracts with shippers to be filed with the commission, not to be made public, but merely to compel them to be filed with the commission?

Mr. SCHWERIN. There again, if you will permit me, I criticize the question of these things being compulsory. I should think that the law would be better if the Government had the right at any time to call on the steamship companies for contracts they might have with shippers, or call on shippers for any contracts they might have with carriers, having the right to cancel or abrogate or do what it pleased with them if, in its opinion, they thought we were doing something wrong, but to let the business go on and let us make contracts with the knowledge that the Government has the power to call for them.

The CHAIRMAN. If complaint was made that there was discrimination, the Government would have the power to call for the contract and determine whether or not there was just cause for complaint.

Mr. SCHWERIN. Yes.

[922] Mr. HARDY. What would be your suggestion in case the remedy in the hands of the Government was not adequate; to allow it to continue?

Mr. SCHWERIN. Oh, no; just to cancel it. A man is trying to do business, and there is no reason why that should not reach the evil results, because the Government officer can call for these things as often as he likes.

would not name on that particular shipment the lowest discount.

The CHAIRMAN. Of course, under those circumstances, he would rather pay the higher rate than to wait for another steamer?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. Have you a copy of your tariffs between New York and Porto Rico?

Mr. HARDY. It seems to me you have not quite answered the question of the chairman as to whether or not, the conditions being precisely the same, you ever give preference to one shipper over another?

Mr. MOONEY. No, sir; we do not if conditions are identically the same.

Mr. HARDY. In other words, here is a man with 20,000 tons wanting to ship, and another man with only a thousand tons and there is nothing to cause a distinction except the amount——

[636] Mr. MOONEY. Unless it be, sir, the conditions that surround the loading of it in the West Indies. In Porto Rico, for example, there are many places where we load sugar where the absence of a harbor would prevent our loading more than 2,000 bags a day, while there are other places where we might load eight or ten thousand bags.

Mr. HARDY. But suppose you are in the same harbor. I have freight there and another man has freight there; one is a big man and the other is a little man. Do you ever make any distinction between the two men on account of the quantity of the shipment?

Mr. MOONEY. Yes, sir; we do.

Mr. HARDY. Take the case I put of 20,000 tons and 1,000 tons; that is the only difference there is between them. What amount of difference do you make in that case?

Mr. MOONEY. In the case of the 20,000 tons perhaps we would name a rate, and in the case of the 1,000 tons we try to get perhaps a little more for it.

Mr. HARDY. In other words, you do make a reduction for large quantities?

Mr. MOONEY. Yes, sir; we do.

The CHAIRMAN. Now, give us the names of the shippers that get these lower rates.

Mr. MOONEY. We have no regular tariff; we have a basic tariff, we make our rates according to conditions and they naturally vary. We have arrangements with a great many shippers. I can give you a list, however, of those with whom we have special contracts, perhaps 9 or 10.

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[649] The CHAIRMAN. Referring to your contracts with shippers northward from Porto Rico, do they include a provision to the effect that the shipper must patronize your line exclusively?

Mr. MOONEY. When we make a contract, principally on sugar, if that is the only contract trade we have north, we contract for the output of an entire central or mill, as appears from the copies of the agreement I left with you this morning, there being no other shipper in many of those places, merely a plantation or mill.

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[651] TESTIMONY OF CHESTER B. KELLOGG, GENERAL FREIGHT AGENT MUNSON STEAMSHIP LINE, 82 BEAVER STREET, NEW YORK, N. Y.

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[653] The CHAIRMAN. Have you any contracts with shippers?

Mr. KELLOGG. We have. I have a couple of contracts here, which I will be glad to give to the commit-

tee. I would prefer that they would not go into the records, if it so pleased you.

The CHAIRMAN. Just let them be marked for identification as exhibits.

[654] The four documents here submitted by the witness were here marked by the stenographer "Exhibits 71."

The CHAIRMAN. Are deferred rebates or other privileges or advantages granted in those contracts submitted, or have you any contracts with shippers, either to or from Cuba and from ports in the United States, granting deferred rebates or other privileges or advantages?

Mr. KELLOGG. We have not.

The CHAIRMAN. Do you discriminate against shippers—that is, give one a more favorable rate than another?

Mr. KELLOGG. We have made every endeavor in our business to keep all lines of trade on an equal basis.

The CHAIRMAN. How have you succeeded?

Mr. KELLOGG. Very well.

The CHAIRMAN. Have you any exceptions to the rule?

Mr. KELLOGG. None except those which might be affected by a contract. A man who makes a contract with us for a year might, in some cases, be paying more freight if competitive conditions had forced our rates down at different times.

The CHAIRMAN. Is it a fact that he does that?

Mr. KELLOGG. He has done it in several cases; yes.

The CHAIRMAN. Are there any such contracts existing now?

Mr. KELLOGG. There is one contract, which I have handed in here, entered into with a firm in New York, which exports to their own plantation and uses its

own goods—uses its own materials on its own plantations. There is one other contract, which is made with a railroad in Cuba, which buys all its own supplies and utilizes them on its railroads.

Mr. WILSON. Would there not also be different rates on some of those contracts—where one would have a rate less than the others on the same ship?

Mr. KELLOGG. It might be so; yes.

Mr. WILSON. Has it actually been so?

Mr. KELLOGG. Yes; it has been so. It would naturally work both ways.

Mr. WILSON. Is not that generally the case that those who make contracts with you have a less rate than the others.

Mr. KELLOGG. They naturally expect to get some benefit out of it, either in service or in rates.

The CHAIRMAN. What proportion of your northbound freight is contract freight?

Mr. KELLOGG. I can not answer for the northbound freight, excepting that one commodity—that is, sugar; practically, that is the basis of the northbound cargo.

The CHAIRMAN. And constitutes the larger part of it?

Mr. KELLOGG. Constitutes the larger part of it; yes, sir.

The CHAIRMAN. What proportion of your freight to Cuba is contract freight?

Mr. KELLOGG. Practically none.

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[684] TESTIMONY OF MR. F. KINGSBURY CURTIS, 30 BROAD STREET, NEW YORK, N. Y.

* * * * *

[706] The CHAIRMAN. Right along that line, you have contracts with shippers?

Mr. CURTIS. We have sugar contracts, but very few south. The northbound shipments of sugar are practically under contract, because the man has to know how his sugar can be shipped. He sells it against documents, and so on, and he makes those arrangements almost always in advance. Very little contract business southbound, except for machinery.

The CHAIRMAN. Do you give to the shippers the same rate?

Mr. CURTIS. Yes; they all talk it over and they get about the same rates before you get through with them. Not the same rates, but they figure out practically equivalent, for this reason: If a port can only deliver 1,500 bags to you in a day, and another port can deliver 4,500, it means you have got to stay three days to get one man's sugar and one day to get the other man's sugar. They just add that. They know what they can do. They add the ship's time, and if you do not meet them on it you do not get the business.

The CHAIRMAN. They are practically the same, considering local conditions?

Mr. CURTIS. Just about. They all talk it over.

The CHAIRMAN. Take the southbound freights. You have special contracts, do you?

Mr. CURTIS. I do not think any quantity, not with the ordinary shipments. It is all under those circulars.

The CHAIRMAN. You have no contracts with shippers on the southbound trade?

Mr. CURTIS. I could not answer that, because I do not know, but I think we have some contracts. I think soap is usually shipped under contract—stuff that moves in very large volume is apt to be shipped under contract.

The CHAIRMAN. Are all the shippers on the same commodity given the same rate?

Mr. CURTIS. As nearly as possible; yes. The United States Government, for instance, requires contracts on all its shipments, and they get, I should say, 20 per cent below the tariff—below the ordinary shipper. The Quartermaster's Department has a contract. I think we have a quartermaster contract. There has been a general theory that the Government should get 20 per cent off in Porto Rico. I think the Government's passenger used to get 20 per cent off. The Porto Rican Government has a large irrigation work that is under contract, and they get very low rates on that, but it is only a small percentage of the business, and usually it is business of a special character. The ordinary shipper out of New York, I think, the [707] export merchant, I think, gets the published rates from all these lines. There has never been any complaint that I have ever heard of on the subject of rebates or anything of that sort in the Porto Rican trade; one reason is there has never been any traffic agreements to maintain rates.

Volume 2: Hearings

[754] TESTIMONY OF MR. JOHN AUSTIN MCCARTHY, STEAMSHIP AGENT AND SHIP BROKER, PHILADELPHIA, PA.

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[767] The CHAIRMAN. Do you think discrimination should be prohibited?

Mr. MCCARTHY. Yes; I should think so. Well, of course, now I do not know. I will qualify that. It would depend on the volume of business a great deal. I do not think a man shipping 10 tons should get the same rate that a man shipping 100,000 tons should get.

The CHAIRMAN. But in any event, that question should also be subject to supervision?

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[767] The CHAIRMAN. Is there any discrimination between shippers on the contracts you make with them?

Mr. MCCARTHY. No; they are our rates to everybody.

The CHAIRMAN. Do all shippers by your line get the same rate?

Mr. MCCARTHY. Of course, as I say, if they make large contracts they are made in New York. We will say the International Harvester Co., for instance, will ship several hundred thousand tons of machinery; that is made up by special contract.

[768] The CHAIRMAN. And they get a special rate, do they not?

Mr. MCCARTHY. Yes.

The CHAIRMAN. And of course one provision of that contract is that they shall ship so much and that they shall ship by conference lines?

Mr. MCCARTHY. Yes.

Mr. HARDY. Is not the effect of giving special rates to special large contracts simply to place a still greater power in the big concerns to crush out the little ones? If the Harvester Co. can get one-half the rate that any other manufacturer of the same goods can get, that adds to their advantage over the independent concern, does it not?

Mr. MCCARTHY. It adds to the cost, yes; but then, looking at it from the steamship standpoint, the volume of freight is worthy of some consideration.

Mr. HARDY. Very true, but if you were required to fix a definite rate for all parties that would put all parties on equality, so far as shipping?

Mr. MCCARTHY. Yes.

Mr. HARDY. And your discriminating so as to give a 100,000-ton man 20 per cent over the 10,000-ton man knocks that 10,000-ton man out, does it not, in the trade?

Mr. MCCARTHY. I do not know of any 10,000-ton man in the trade.

Mr. HARDY. I am just illustrating.

Mr. MCCARTHY. Well, say a local shipper in Philadelphia will forward one car, or something like that, I do not think he ought to have the same rate as the man who will ship 100,000 tons.

Mr. HARDY. But the privilege of making that distinction is the basis on which the big man slaughters the little man, is it not?

Mr. MCCARTHY. It seems that way.

Mr. HARDY. As a matter of fact, such discriminating is in favor of the big man, is it not?

Mr. MCCARTHY. Yes.

Mr. HARDY. Ought that be permitted if we want at all to have any independent concerns in this country?

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[769] TESTIMONY OF MR. ERNEST M. BULL RESUMED

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[782] Mr. HARDY. I was getting your idea. What do you think about this other idea of requiring shippers to take the cargo in the order in which it was tendered, so they could not strand a man if they did not want to give him service?

Mr. BULL. There would always be the question whether a man wanted to send his boats to a particular port. I think, as far as package freight is concerned in a line, that should be taken in the order it is tendered, and I think in most cases it is.

Mr. HARDY. I am satisfied that in most cases the carrier could do whatever he thought proper by shov-

ing him off to the last and exposing him to new conditions.

Mr. BULL. I think where there have been combinations and where there have been conferences, some fellow that has gone outside, probably—I do not know, but we hear complaints that some fellow has been disciplined simply by saying, "My ship is full," etc. I know when we first started to Porto Rico different merchants said, "Well, now, are you going to stick? Because we do not want to get in a position, if you drop out, that these fellow will tell us, 'we are full now.'"

Mr. HARDY. That is what I am asking about. Should there be any law prohibiting such "discipline," as you call it?

Mr. BULL. Yes; I think there should. I think that should be one of the things that your commision should have charge of, just exactly as they do on the railroads. A railroad has to place cars in direct order as the orders for the cars come in. Now, let him take [783] his freight on all line business as it comes in. Of course, where he has a contract for so many tons a month or a week, that would be a prior order.

The CHAIRMAN. Is there anything further?

Mr. PORTER. What method would they adopt to "discipline" a shipper?

Mr. BULL. To discipline a shipper?

Mr. PORTER. Yes. I would like your idea of the meaning of that word or the effect of it.

Mr. BULL. Oh, why, for example, suppose a shipper had been using sailing vessels instead of using a regular line steamer to Porto Rico, and the lines running are going to sail next Saturday, and had a great deal of freight offered them to fill the space. A man comes in and says, "I have some stuff which

I am very anxious to get off on next Saturday's boat." They would say, "We are very sorry. We have not room." It is pretty hard to prove that sort of thing.

Mr. PORTER. Would they say that when they did have room?

Mr. BULL. They might know in their own minds of somebody else who was coming in to give them something else, and probably they would not have room at the time the steamer sailed; but I have heard it stated that this happens sometimes.

Mr. PORTER. That is to say, when the shipper did something which the shipowner did not like they would "discipline" him by refusing to take his freight?

Mr. BULL. Or delay his freight. I think that has been done. I do not know of any particular case of it.

Mr. PORTER. The effect of that would be ruin?

Mr. BULL. So they would keep that in mind the next time and would not go outside of the regular channels.

Mr. PORTER. The word "ruin" could be used instead of "discipline"?

Mr. BULL. Well, no; because it is not likely it would be carried as far as that. He would probably be "good" before it had gone to that extent.

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[801] TESTIMONY OF MR. W. G. SICKEL, VICE DIRECTOR IN CHARGE OF TRAFFIC OF THE HAMBURG-AMERICAN LINE—CONTINUED

* * * * *

[825] Mr. SICKEL. But the principal reason we have not direct competition from others is that in the North Atlantic we run largely what we call the combination freight and passenger steamer.

The CHAIRMAN. Yes; you have gone over that.

Mr. SICKEL. And we make a freight rate that is not attractive to the outsider to compete with us.

The CHAIRMAN. Is there not another element that keeps out an ambitious rival—what is known as the fighting fleet of Hamburg? To be more specific, is it not true that a corporation known as the Syndikats-Rhederei, a corporation which operates the fighting ships of the six largest Hamburg companies engaged in extra-European trade; a company which is nominally a vessel-owning company with a capital of $1,428,000, engaged in a commercial enterprise, but which actually, is a defensive corporation owned, in respect to the capital shares, as follows:

Hamburg-American Line	$785,400
Hamburg-South American Line	166,600
German Steamship Co	154,700
German-Australian Steamship Co	130,900
C. Woermann	119,000
German-East Africa Co	71,400

Or a total capital of $1,428,000.

Is not this company owned and controlled in the proportions I have given by these several companies trading out of Hamburg, and the ships used as fighting ships in trades and as against other companies that may threaten to come into competition with them?

Mr. SICKEL. Whether that company exists now or not I can not say, because I have very little knowledge of it. I do know, positively, that at one time it did exist.

The CHAIRMAN. And for the purpose I have stated—as fighting ships?

Mr. SICKEL. That was the purpose of the organization of the company.

The CHAIRMAN. My information is to the effect, further, that in the distribution of shares they were

apportioned with reference to the tonnage of the companies named, and that this fighting corporation was organized on December 19 and registered on December 23, 1905, and that one-half the original capital was paid in immediately. Also, that four comparatively small and inexpensive ships were purchased and used, with such others as might be chartered from time to time, and hired out to the six owners of the company to meet dangerous competition and to drive it away; that the fighting ships handled chiefly bulk goods, leaving merchandise which requires prompt transportation to the care of the parent company, which maintains its nominal rates as far as possible, the stress of competition being borne by the fighting ships, technically. Also, that in the times of peace the fighting ships engage in regular trade on time charters, and that, as this corporation is not one for profit, primarily, the investment, in reality, is a new sort of insurance. My information, further, is that the Syndikats-Rhederei made no money at the beginning of its history, this fact indicating that the ships were actively engaged in commercial warfare, but that last year the [826] returns were favorable, as rates, generally speaking, were higher and the regular lines required less expensive support.

As I say, that is our information, and this line, as we understand, is still in existence and for the same purpose, whenever necessity may require. What information have you on that?

Mr. SICKEL. I have no information direct from my principals that that exists, but it is a well-known fact that the Syndikats-Rhederei does exist. I have never before heard the division of the shares among the different lines, but the purpose, I do believe, is as stated here.

* * * * *

Mr. HARDY. What good would it do to a man who had been run out of business by lower rates being given to his competitor if that is simply being found out after he is suppressed?

Mr. SCHWERIN. He would probably scream long before that time.

Mr. HARDY. He might not know where he was hurt for a good while.

Mr. SCHWERIN. By golly, he ought to go out of business if he does not know where he is being hurt.

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[1250] STATEMENT OF MR. B. N. BAKER, RETIRED STEAMSHIP MAN, BALTIMORE, MD.

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[1252] THE CHAIRMAN. In your experience, to what extent have these fighting ships been employed?

Mr. BAKER. It is very hard to say. You see, I have been out of the business for some years. Now, for instance, the Atlantic Transport Co. used to carry all the Bass's ale. We made an allowance of about 10 per cent reduction on the rate provided the Bass's ale people would ship no ale but by the Atlantic Transport Co. At that time some one would now and then put on a ship to load from London to New York—our particular trade. We would not hesitate to refuse the Bass's people their commissions on that at that time.

* * * * *

[1255] Mr. BAKER. * * * You must be in a position as to steamship rates to meet those conditions at a moment's notice, as they vary from day to day. Take the grain and flour traffic, and a great many of the commodities in which it is absolutely necessary to make alterations in rates from time to time. I think you are perfectly just and reasonable and that the

steamship companies would regard it as a very reasonable request that they file all the agreements and conditions they have made, and I do not know of any company that would not be willing to do it.

The CHAIRMAN. Including contracts with shippers?

Mr. BAKER. Yes.

The CHAIRMAN. It would be fair also if the law provided they should not discriminate between shippers?

Mr. BAKER. Under exactly similar circumstances. I am a steamship man, and we will suppose I am loading my ship. I have so much space left; I can carry so much measurement cargo, but not any weight cargo. If I send that ship over with all that space vacant, it is all dead loss and I get no revenue from it. * * * Oftentimes it would pay to go out and take a hundred tons of measurement cargo at any rate. It would not be a question of revenue or discrimination, but it is a question of meeting actual business—physical condition which must be met. So you could not make a hard and fast rule to govern it in the oversea transportation, as you could in the coastwise business or in transcontinental rates. There is a different situation there.

Mr. HARDY. Would not that exemption actually destroy any possible effort at regulation at all, because while you say these conditions exist, it would nevertheless enable a company that saw proper to always meet any charge of discriminations by saying conditions were different?

Mr. BAKER. Yes.

Mr. HARDY. So that practically, if you are right, you can make no law prohibiting discriminations?

Mr. BAKER. It is practically so, Judge Hardy. You might—I am not a lawyer—but it seems to me that you might have all those contracts filed, and if

you found an unjust exercise of that right, penalize them; they would not hesitate to comply.

* * * * *

[1302] TESTIMONY OF MR. F. A. MEYER, GRAIN EXPORTER, BALTIMORE, MARYLAND

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[1312] Mr. HARDY. Do you think that these steamship lines should be required to file their contracts, if any, made with individual shippers?

Mr. MEYER. I certainly see no objection to it.

Mr. HARDY. Do you mean that should be simply filed or that it should be published in any publication?

Mr. MEYER. I must say I really do not see the object of that, because I believe there is no favoritism or rebate system in the ocean freight business, so far as it relates to any business with which I am concerned.

Mr. HARDY. That is in the eastbound ocean freight. But there is a suspicion of some pooling and rebates of shipments in the United States.

* * * * *

[1313] Mr. HARDY. You spoke in your testimony of the fighting-ship proposition. Would you by law forbid these powerful combinations from utilizing fighting ships to cut down or kill competition?

Mr. MEYER. I think it would be a reasonable thing to do, if it could be done.

Mr. HARDY. In what way would you undertake to prevent the use of fighting ships by the powerful combinations to put down the little fellows? Would you penalize it?

Mr. MEYER. I think so. The object of the fighting ship is to destroy the trade of the other person, irrespective of profit or anything else.

* * * * *

[1357] REPORT SUBMITTED TO THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES BY THE COMMITTEE APPOINTED BY THE REPRESENTATIVES OF STEAMSHIP LINES MAINTAINING ESTABLISHED SERVICES FROM NEW YORK TO FOREIGN COUNTRIES, INCLUDING PORTO RICO AND THE PHILIPPINES.

NEW YORK, *March 3, 1913.*

To the Honorable the Committee on the Merchant Marine and Fisheries, Washington, D. C.

GENTLEMEN: The representatives of most of the steamship lines which maintain established services from the port of New York to foreign countries, including Porto Rico and the Philippines, have appointed the undersigned a committee to act for them. We have carefully considered the evidence brought out at the public hearings, and have sought and obtained the views of the trade generally. While complete unanimity of opinion is not to be expected, yet we find substantial agreement on all matters of importance, and we have therefore prepared the following memorandum, which we beg leave to submit for your consideration, and we respectfully ask that it be printed and made a part of the record.

* * * * * * *

[1360] * * * The evidence shows that the agreements or understandings which exist in many branches of our commerce have been, without exception, the natural outgrowth of intolerable competitive conditions rather than the result of studied effort on the part of any interest or combination of interests to control particular branches of the trade; and if such agreements had not been reached, the cooperation of a number of lines for the development and handling of the trade would have been displaced eventually by an

absolute monopoly resulting from the giving way of the weaker lines.

* * * * *

[1361] The conference agreements adopted by the steamship lines engaged in trade between the United States and foreign countries are substantially the same as those in force in all the other principal maritime nations of the world. They are of various types, but ordinarily they contain the following features, or some of them:

1. An agreement as to sailings.
2. An agreement as to rates of freight.
3. A pooling agreement.
4. A system of deferred rebates to loyal shippers.

* * * * *

[1363] Competition in freight rates beyond a very limited point is detrimental to the interests of shippers, especially of small shippers. Competition has never established a reasonable rate nor maintained a stable rate. In every rate war the object of the competitors is to obtain the business of the large shippers. The rates offered to such shippers are directly or unconsciously discriminatory, and the business of the smaller shipper suffers. Rate wars tend to the monopolization of trade by the larger shippers. Unless the warring steamship factions come to some agreement the result is more or less of a monopoly on the part of the most powerful carrier engaged in the conflict.

* * * * *

[1369] The system of deferred rebates to loyal shippers has none of the evils of the secret rebate which was formerly employed by railroads. Rebates which exist in certain trades from distant countries to the United States are open and public. In the coffee trade from Brazil, for instance, circulars are printed

by the lines and widely distributed among shippers of coffee in the Brazilian ports, offering a discount or allowance on the freight to any merchant who will confine his shipments for a fixed period to the conference lines. Any merchant may obtain the benefit of this published allowance by complying with the terms of the circulars. Under this system large and small shippers are treated absolutely alike.

The alternative to the deferred-rebate system in trades where the return cargoes are insufficient to fill the ships required for the outward voyages is the long-term contract. It is universally recognized that one or the other of these methods of insuring a continued patronage of the regular lines is necessary to justify the operation of such lines. To the shippers the great advantage of the rebate system has been the maintenance of steady rates of freight free from any serious fluctuations. Under that system the merchant signs no agreement binding him for the future. He is only bound to the extent of his [1370] accrued rebate. Except for this measurable sacrifice he is a free agent and can always avail himself of any opposition that offers him advantages sufficient to compensate him for his loss of rebates and is also in a position to obtain from the conference lines the advantage of any fall in current freight rates during the period covered by the rebate agreement. Under a contract for the shipment of a fixed quantity, or for all shipments made within a fixed period of time, the merchant fetters his future action and is deprived of all opportunity to avail himself of lower rates which may be offered in or out of the conference during the period that would otherwise be covered by his agreement.

* * * * *

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[1373] The right to enter into conferences which regulate sailings, establish reasonable, stable, and uniform rates, and equalize profits and losses, through the medium of pooling, is essential to the successful and efficient conduct of the steamship business. We believe, also, that in certain trades, especially those not yet fully developed, the deferred rebate system is preferable to the alternative system of long-time contracts.

* * * * *

[1397] SUMMARY OF REPLIES RECEIVED BY THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES IN ANSWER TO ITS CIRCULAR LETTER OF FEBRUARY 18, 1913, RELATING TO THE ADVANTAGES AND DISADVANTAGES OF STEAMSHIP AGREEMENTS AND CONFERENCES.

[Prepared by S. S. Huebner, expert to the Committee]

Exclusive of the complaints presented by witnesses, or otherwise referred to in the hearings under House Resolution No. 587, the committee received, during its investigation, a very considerable number of communications from shippers covering a large variety of grievances. One of the most noticeable features of these communications was the almost universal insistence that the information and all names be held in the strictest confidence, the complainant being fearful of retaliation on the part of the one line, or group of lines, upon whose shipping facilities his business was absolutely dependent. Long before the hearings were concluded it was apparent to the committee that the shippers were very reluctant to express their views openly relative to the subject matter under investigation. At the conclusion of the hearings, therefore, and in view of

the contentions of the representatives of the conference lines engaged in the foreign trade, the committee decided, under promise of confidential treatment, to ascertain approximately the extent to which leading shippers indorsed the views of the conference lines' representatives. [1398] In this purpose the committee was encouraged by many of the leading steamship-line representatives of the country, who confidently asserted that steamship agreements and conferences were a benefit to both shipper and shipowner, and that a great majority of importers and exporters would express this view. Accordingly, the following letter was addressed to approximately 2,000 individuals and firms; this number including manufacturing firms exporting largely to foreign markets, as well as all the importing firms and exporting commission houses, forwarders, brokers, and managers enumerated in the 1912 issue of the American Exporters' Export Trade Directory, for the ports of New York, Boston, Philadelphia, Baltimore, New Orleans, San Francisco, Portland, Seattle, and Tacoma:

FEBRUARY 18, 1913.

DEAR SIRS: At the recent public hearings before the Committee on the Merchant Marine and Fisheries (conducted in pursuance of H. Res. 587) a large number of representatives of steamship lines engaged in the American foreign trade have frankly admitted the existence in this trade of written agreements or friendly understandings between the established lines operating in their respective trades for the fixing and maintenance of uniform rates, and not infrequently for the purpose of pooling their business or holding their traffic by means of a rebate system. Considered in its entirety, the testimony shows that, as regards nearly every foreign-trade area, all the established lines operating to and from American

ports are working in harmonious cooperation, either through written agreements, conference arrangements, or gentlemen's understandings.

Practically all these steamship representatives have asserted that such agreements or arrangements are a natural evolution, and are necessary for doing the business and giving to the shippers an ample tonnage and an efficient, frequent, and regular service at reasonable rates. Such agreements, they contend, are a protection to the shipper as well as the shipowner. To the shipper they insure desired stability of rates and the elimination of secret arrangements with competitors. To the shipowner they tend to give a dependable return on the investment, thus enabling the lines to provide new facilities for the development of the trade. Such agreements, it was also argued, furnished the means for taking care of the disabilities of the weaker lines, whereas unrestricted competition, based on the survival of the fittest, tends to restrict the development of the lines and in the end must result in monopoly.

Moreover, with reference to the practices of steamship lines, judged from the standpoint of the shipper, the representatives of the conference lines testified as follows:

(1) That the tonnage and facilities are ample.

(2) That the rates are reasonable.

(3) That the rates and service are such as not to operate prejudicially to our commerce as compared with foreign competitive markets.

(4) That shippers are treated alike, and that special privileges and advantages are not given to some and denied to others.

The foregoing constitutes a brief summary of the essential contentions of the representatives of the conference lines. It is now the purpose of the committee

to ascertain as far as possible the extent to which these contentions are indorsed by the patrons of the lines or to what extent exception is taken to the same. With this purpose in view, the committee respectfully requests you to make a frank statement of your views and experiences (with respect to the foregoing) in the several trades in which you are engaged, either as exporter or importer, with the distinct understanding that your communication will be considered confidential. Moreover, if you have in mind any suggestions which you feel the committee should take under advisement in formulating its recommendations to Congress for proposed legislation, I shall be pleased to have you state the same.

Very truly, yours,

J. W. ALEXANDER,
Chairman.

Two hundred and seventy-nine replies have been received thus far in response to the above-mentioned letter, the majority of the communications expressing in detail the reasons for the approval or disapproval of the contentions outlined in the committee's circular letter. Although a more general response to the committee's request [1399] would have proven more conclusive, the number of answers received is sufficiently large to warrant the belief that an analysis of the same will furnish a reasonably accurate view of the general position taken by the exporting and importing interests of this country as regards the advantages and disadvantages connected with steamship agreements and conferences. This, it is believed, is particularly true since the majority of the replies were furnished by large manufacturers and export commission houses whose business operations extend to many geographic divisions of our foreign trade, and whose many years of experience has given them the oppor-

tunity to compare conditions prevailing under both the competitive and noncompetitive system in the shipping business.

* * * * *

It should be stated that of the 279 replies received, 52 referred to the fact that the firms represented by the writers do not come in direct contact with the steamship lines, and that the committee's circular letter was referred to their freight brokers, or forwarding agents, who attend to all their exporting business. Of the remaining 227 replies, 117 uphold the contentions advanced by the steamship interests. For the sake of brevity, the views expressed in these letters will be presented in classified form:

1. In 51 letters, or nearly one-half of the replies favorable to steamship agreements, the writers emphasized the fact that to them stability of rates and regular sailings overshadow in importance all other factors. Uniform rates and regular sailings, it is stated, enable them to conduct their business with better results than could be done under a system of throat-cutting competition (and such competition they generally regard as the inevitable result if steamship lines are not allowed to cooperate in some form or another), since as merchants and shippers they are not compelled to grope in the dark as to fluctuations in rates, and are relieved from the speculative risks, and the effects of underhanded discrimination which grow out of any competitive warfare between steamship lines serving the same ports.

* * * * *

[1401] 3. Approximately one-half of the total number of replies received by the committee in answer to its circular letter treat in some manner the subject of discrimination between shippers, having in mind mainly the treatment accorded to small as compared

with large shippers of freight. Many of the letters, favorable to steamship conferences and agreements, regard this phase of paramount importance and express the belief that, since it is difficult to prove the facts, although one's suspicions may be strong, the committee should give the subject special consideration.

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It is also noteworthy that practically all the letters favorable to steamship agreements, which comment on this phase of the subject, take the view that to maintain equal treatment between small and large shippers it is absolutely necessary that steamship lines should be allowed to cooperate, and that the improvement toward greater fairness between shippers is due to the fact that the lines have cooperated. Competition in the steamship business is regarded in many of these letters as the demoralization rather than the life of trade; as the means of introducing uncertainty instead of certainty, and inefficiency instead of efficiency; and that, inevitably, while all shippers are placed ultimately at a disadvantage through competition, the small shipper fares much worse than his stronger competitor.

* * * * *

[1402] * * * Eight other letters desired the prohibition by legal enactment of all deferred rebate systems involving the American trade in any way, on the ground that such systems are an unnecessary adjunct to steamship conference arrangements, and constitute a pernicious practice obviously intended to prevent the free man's right of free trading.

* * * * *

[1403] Nearly all the letters recommending Government supervision of ocean carriers, suggested that the supervisory power be intrusted to some commission

like the Interstate Commerce Commission. With few exceptions, however, the writers were opposed to legislation which would require the steamship lines to file their rates with the Government and be obliged to charge the same until after a certain period of notice to make a change had been given. Such a policy was generally regarded as impossible, in view of the ever present competition of tramp ships in our international trade, unfair to the steamship lines which require protection against the inroads of such tramps, and particularly dangerous to American exporters, who, in competing with foreign markets, are often dependent upon an immediate and favorable freight rate quotation in order to close their contracts. Instead, it was suggested generally, the conference lines should file for approval full particulars of the agreements among themselves, as well as all contracts with shippers, rates and other information, so that the properly constituted authorities may judge the reasonableness of rates, and hear any complaint of discrimination between shippers, with the power to require the correction of abuses. With such Government supervision, steamship agreements, it is asserted, would constitute a fair means of practical cooperation tending to bring about stability and efficiency, and thus prove an all-round benefit to all parties concerned.

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One hundred and ten of the replies received by the committee are distinctly hostile to steamship conferences as now conducted.

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[1404] 2. Forty-four of the letters charge discrimination in rates, and 27 discrimination in cargo space. Many of these communications, as in the case of the letters favorable to steamship agreements, frankly

state that as long as the freight rates charged by the steamship companies are the same for all shippers, the size of the rate is not so material, because it is merely added to the price of the goods. But that equal treatment in rates and space accommodations generally exist is doubted, although many assert their inability to furnish the proof in this respect. The letters clearly indicate a strong current of suspicion among the shippers that certain large manufacturing firms and commission houses are receiving special rates and accommodations which are gradually undermining their ability to compete on equal terms. Moreover, one-half of the letters charging discrimination are opposed to the making of contracts with shippers by steamship companies in which the rate is based on the quantity contracted for. Such contracts are regarded as a favorite means of discrimination against the small shipper who is unable to furnish the required tonnage, and they recommend in many cases that this practice be prohibited by law. As showing the views which many shippers hold with reference to the fourth contention of the conference line representatives, as outlined in the circular letter, the following extracts from 11 of the letters are herewith reproduced:

* * * * *

[1405] The foreign lines in combination should not be entitled to force any shipper to sign contracts with them. They say these contracts are for good purposes, but that is a farce. The contract is simply to tie the merchant up and compel him to ship by them. These contracts should not be tolerated and the merchant should be free to ship by any line, without regard to forced contracts. This will appeal to the committee, we trust. A merchant may sign a contract, and then within a few weeks unexpected competition arises, and yet

he may be compelled for 12 months to suffer through being forced into a contract he did not wish to sign. It is also well known that certain large American interests, owing to their control of enormous amounts of freight and their moneyed power, practically own several of these alien lines and derive benefits which their competitors do not secure, and such a condition is prejudicial to the merchant and the competitor of such firms, and this condition should be examined into. If a shipper, for special reasons, desires to make a contract, and an arrangement is entered into covering six months or more, outside shippers should be granted the same rate, should they ship goods of a similar character during the pendency of the existing contract.

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Volume 3: Special Diplomatic and Consular Reports

[9] The following diplomatic and consular reports on the methods and practices of steamship lines engaged in the American foreign-carrying trade were prepared for the special use of the Committee on Merchant Marine and Fisheries at the request of its chairman, the Hon. Joshua W. Alexander. In response to this request the Department of State cooperated with the Committee by issuing, under date of April 17, 1912, a circular of instructions to the diplomatic and consular officers of the United States in foreign countries. * * * S. S. Huebner.

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[13] EUROPE

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[49] Report of Robert P. Skinner, Consul General at Hamburg, Germany

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[88] REPORT OF SOREN LISTOE, CONSUL GENERAL AT ROTTERDAM, NETHERLANDS.

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[90] * * * a leading shipping firm in this city, writes as follows:

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The Holland-American Line has an agreement with the principal Belgian, English, Canadian, and German steamship companies, constituting the North Atlantic pool or steamship conference on the understanding of mutual support and uniform ocean freights; and their method under this agreement is to publish a tariff of freights from European to American ports on equal basis, whether payable at the ports of shipment or of destination, but they are granting special lower freights on same basis of payment to those contracting shippers or consignees who for the running year or season promise in writing, that they will ship all their goods, or will have these shipped, by the steamers of the conference lines. No rebates are allowed to anyone. Contracting firms will be at liberty to use nonconference steamers, when American consignees, paying the freight, wish them to do so, and in the latter case such shipments will not be deemed a deviation from the contract, and such shippers will continually enjoy for the time named the lower freights stipulated therein.

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[107] REPORT OF GABRIEL BIE RAVNDAL, COUNSEL GENERAL AT CONSTANTINOPLE, TURKEY.

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[113] EXHIBIT

[Extract from Levant Trade Review, Vol. I, No. 1, p. 34]

* * * This agreement provides that shippers of cotton from Egypt to ports of the United Kingdom and the Continent must in [114] turn agree with the steamship companies that, in consideration of a specific rate of 25 cents per hundredweight (112 pounds), cotton consigned to the United States shall be shipped via European ports by the vessels of the parties to the agreement, and shippers are obliged to sign a contract to that effect, which contract covers a period of two years, at the end of which time it is renewed.

Violation of the contract subjects the delinquent to the enforcement of a penalty which would prove embarrassing if not disastrous to his business, as the carrying companies may decline to handle any cotton whatever for the offending exporter, or may fix a rate on his consignments to Europe which would make shipments impracticable.

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[151] ASIA

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[212] REPORT OF D. MILTON FIGART, VICE CONSUL GENERAL, SINGAPORE, STRAITS SETTLEMENTS.

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[213] A standard list of freights is made applicable to all the lines, and on these rates two rebates of 5 per cent each are allowed to all shippers, the applications for which are sent in every six months and paid about six months after, so that the shipping companies always have in hand considerable money due to the shippers, which they confiscate if any shipper sends

goods by any lines outside the conference. This effectually prevents any tramp steamers coming into Singapore.

[p. 213]

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As the department already knows, the Straits Settlements Government has for some time been investigating the conditions under which the conferences are maintained, which investigation resulted in the passing of the freight and steamship ordinance of 1910, legislating against the conferences. This ordinance, however, was later repealed in view of certain agreements made by the governor of the Straits Settlements with the conference heads.

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[214] MINUTES OF A MEETING HELD AT THE COLONIAL OFFICE ON THE 25TH OF MAY, 1911, BETWEEN SIR JOHN ANDERSON, G. C. M. G., GOVERNOR OF THE STRAITS SETTLEMENTS, AND REPRESENTATIVES OF THE HOMEWARD JAVA AND STRAITS CONFERENCE AND THE NEW YORK STEAMER CONFERENCE

* * * * *

Mr. Holt said that he understood the meeting to be private and confidential, and that neither side would be committed unless an agreement were arrived at.

Sir John Anderson agreed, and proceeded to state the reasons for which the Government of the Straits Settlements had passed the freight and steamships ordinance, 1910.

* * * * *

[215] As to the question of a list of articles to be exempted from the rebate system, the conference representatives put forward an alternative proposal, viz, that at fixed periods, known beforehand, shippers should receive in full the rebates due on the freight

shipped up to the end of the period, and should then be free either to remain in the conference system or to leave it.

The conference representatives suggested that the period should be once in three years, while Sir John Anderson urged that it should be annual.

Some discussion took place on this point, but finally it was agreed that the rebates due on all cargo shipped up to the 31st of December, 1911, should be paid then, or as soon after as the accounting allows, and that thereafter, commencing from the 1st of January, 1912, triennial periods should be established, at the end of each of which the rebates due on cargo shipped up to the end of the period should be paid to shippers, who would then be free to leave or remain in the conference system. It was explained that during the first two years of each period the present "overlapping" system would continue, but that at the end all rebates due would be paid up.

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[217] SOUTH AMERICA

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[243] EDITOR'S NOTE.—In the outward trade from New York to Argentina an oral understanding exists (see testimony of Mr. Paul F Gerhard, pp. 240–242 of the hearings before the Committee on the Merchant Marine and Fisheries) between the Lamport & Holt Line, the Houston Line, the Prince Line, the Barber Line, and the American Rio Plata Line with reference to the fixing and maintenance of rates: * * * It is also a part of the understanding that merchants who contract with individual lines for the shipment of large quantities of materials or for shipments during a season or a year have the privilege of loading such parts of their shipments as they may desire to load

upon any steamer or steamers of any of the five lines which may be loading at the time the merchants wish to make the shipment, but subject to arrangement with the agent of the steamer, except contracts that are closed by authority of the respective agents for participation in the same.

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[302] REPORT OF ARTHUR GARRELS, CONSUL AT ALEXANDRIA, EGYPT.

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An arrangement exists between local cotton exporters and several British steamship lines, between Alexandria and Liverpool, whereby the former agree to confine their shipments to those lines, and the lines guarantee regular sailings with ample room and fixed rates for an entire year.

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Volume 4: Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade prepared under direction of the Chairman of the Committee by Sc S. Huebner including the Recommendations of the Committee

[1] PREFATORY NOTE.

The following report on "Steamship Agreements and Affiliations in the American Foreign and Domestic Trade" represents a summary of the data gathered by the Committee on The Merchant Marine and Fisheries in its investigation of steamship combinations under House Resolutions 425, introduced by Mr. Rufus Hardy of Texas, on February 24, 1912, and 587, introduced by Mr. J. W. Alexander of Missouri, Chairman of the Committee, on June 18, 1912. (Copies of these resolutions are found on pp. 8 and 9 of this report.) The investigation was begun in

pursuance of House Resolution 425, but it was later deemed expedient to broaden the scope of this resolution so as to extend the investigating powers of the Committee to every possible transportation agency (such as forwarding, dock, terminal and all other companies and firms) which might be connected in any way with foreign or domestic water carriers, or with the railroads, and a knowledge of which might be essential in ascertaining the full relationship between the navigation companies themselves, as well as between such companies and the railroads. Accordingly House Resolution 587 was substituted for House Resolution 425, but, with the exception noted, this resolution was identical with its predecessor. The Committee was also authorized by House Resolution 205, of the Sixty-third Congress, introduced by Chairman J. W. Alexander, to continue during the Sixty-third Congress the investigation begun during the Sixty-second Congress under the provisions of House Resolutions 425 and 587.

It should be stated that a joint resolution was originally introduced by Mr. Humphrey of Washington providing for a joint committee of the House and Senate to investigate foreign shipping rings. Mr. Hardy, of Texas, subsequently introduced a joint resolution extending the inquiry embraced in Mr. Humphrey's resolution to include our domestic shipping and the relations between American railroads and foreign and domestic shipping.

[2] On April 20, 1911, and January 30, 1912, Mr. Humphrey of Washington introduced House Joint Resolution 72 and House Resolution 399, respectively, and on January 18, 1912, Mr. Hardy, of Texas, introduced House Joint Resolution 217. These resolutions were substantially the same in their purpose as House Resolutions 425 and 587, except that House Joint

Resolutions 72 and 217 provided for a joint committee to undertake the investigation. Hearings were held by the Committee on Rules on House Joint Resolution 72, beginning December 18, 1912, with the result that the Committee on Rules decided to report a resolution directing the Committee on the Merchant Marine and Fisheries to make the investigation, and for this purpose, as already explained, House resolutions 425 and 587 were reported to the House and adopted.

METHODS OF PROCEDURE AND SOURCES OF DATA.

In view of the wide scope of the investigation, the same comprising the country's entire domestic and foreign trade by water, the Committee adopted the policy of gathering as much data as possible, in advance of the public hearings, by the issuance of detailed Schedules of Inquiries to water and rail carriers. This was done because the data thus obtained would not only greatly reduce the extent of the public hearings, but would enable the Committee to select witnesses to the greatest advantage and to emphasize in the hearings only those phases of the investigation concerning which further information was desired. The following outline will serve to indicate briefly the method of procedure followed by the Committee, and the chief sources of the data obtained.

(1) Three comprehensive Schedules of Inquiries, each prepared to meet fully the requirements of House Resolution 587 (and published on pp. 10, 13, and 14), were respectively directed by Chairman Alexander, (1) under date of August 21, 1912, to 562 domestic navigation companies engaged in the coastwise, lake and inland commerce of the United States; (2) under date of October 3, 1912, to practically all steamship lines engaged in this country's foreign

trade; and (3) under date of September 16, 1912, to all the leading railroads of the country. The managements of all the aforementioned navigation and railroad companies, it should be added, were requested to submit their answers to the inquiries under oath. Of the 562 domestic navigation companies referred to 470 complied with the Committee's request, and the [3] replies included practically all of the important regular lines and large bulk carriers. Similarly, of the 187 railroad companies or systems to which the Schedule of Inquiries was sent, 180 submitted their answers to the Committee. As was expected, the foreign steamship lines did not respond as readily as the domestic water and rail carriers; yet of the 208 lines to which the Schedule was sent 88 made full returns under oath, this number representing lines engaged in nearly every sphere of this country's foreign trade. Moreover, since nearly all the foreign steamship lines are organized in conferences or operate under agreements as regards their respective routes to and from the United States, it follows that the replies of one line would answer, from the standpoint of the Committee's requirements, for the entire group of conference lines. In fact, in a considerable number of instances, it appears that the Committee's request received joint action by a number of conference lines and that one line was delegated to submit answers for the entire group.

Considered in their entirety, the sworn replies of the domestic and foreign water carriers and the railroads proved a most valuable source of information, and a very considerable portion of this report is based upon the facts thus obtained. It may be added that, as the replies to the Committee's inquiries showed the existence of agreements or affiliations which required a more detailed explanation than that given, further

details were obtained by correspondence with the parties involved. The proper officials of all rate, tariff and traffic associations, both with reference to water and rail carriers, were also requested to furnish copies of the associations' constitutions and by-laws and any tariffs published, as well as an explanation of the associations' purposes.

(2) The Department of State cooperated with the Committee by issuing at the request of Chairman Alexander, under date of April 17, 1912, a circular of instructions, containing six interrogatories (reproduced on p. 16), to the diplomatic and consular representatives of the United States in foreign countries for the preparation of reports on those methods and practices of foreign steamship lines engaged in the American Foreign trade that were contemplated under the terms of the aforementioned resolutions. In response to this circular of instructions 94 reports, representing practically every country of any importance in the import and export trade of the United States, [4] were prepared for the special use of the Committee, and have been published in volume 3 of the Committee's Proceedings. In many instances the reports received by the Committee were accompanied by numerous exhibits—principally copies of laws, reports and freight tariffs—of such a voluminous character that their publication seemed impracticable, although they proved of the greatest usefulness to the Committee in its investigation.

(3) Under date of September 3, 1912, the Department of State also requested American diplomatic and consular representatives to procure for the Committee the current freight tariffs or rates of the steamship lines engaged in our foreign trade, as regards the voyage to American ports. This request also met with a very general response, and in many in-

stances the reports supplemented in important particulars the reports furnished in response to the State Department's circular of April 17, 1912.

(4) All boards of trade, chambers of commerce produce exchanges and other leading commercial and shipping organizations were invited by the Committee in August, 1912, to be heard at the Committee's hearings or to file with the Committee, under promise of confidential treatment if so desired, any complaints, suggestions or information coming within the scope of the resolution. A considerable number of these associations either filed written reports with the Committee, or requested to be given a hearing through a representative, relative to conditions coming within the purview of the resolutions authorizing the investigation.

(5) Much assistance was obtained through the cooperation of the Department of Justice, which gave the Committee access to the testimony and exhibits in the cases now pending against various foreign and domestic water carriers for alleged violation of the Sherman Anti-Trust Law. The publications of the Bureau of Corporations on "Transportation by water in the United States" and the decisions and files of the Interstate Commerce Commission proved to be valuable aids to the Committee. Moreover, much information was obtained from the "Report of the Royal Commission on Shipping Rings" and from the leading shipping journals. The New York Committee, appointed by the representatives of steamship lines maintaining established services from New York to foreign countries, also submitted a report to the Committee (published in vol. 2, pp. 1357–1375 of the Committee's Proceedings), which [5] presents a comprehensive statement of the reasons which lead to the formation of steamship agreements and conferences.

and the advantages resulting from such arrangements.

(6) Following the receipt of most of the replies to the Schedule of Inquiries addressed to the foreign and domestic water carriers and the railroads, as well as to American diplomatic and consular representatives, and after a general survey had been made of the data secured through all of the aforementioned sources of information, the Committee held public hearings with a view to making the investigation more complete. The chief purpose of these hearings was to ascertain certain facts which did not appear clearly from the information already obtained, and to give all shipping and steamship interests which so desired, an opportunity to present their grievances, suggestions for remedial legislation, or other contentions. These hearings extended from January 7 to March 3, 1913, and the evidence was published in the first two volumes of the Committee's Proceedings. In all 55 witnesses were heard, the same having been selected (1) with reference to their apparent ability, judging from their relations to various steamship lines, to explain the nature of the steamship agreements or affiliations existing in the several divisions of our foreign and domestic trade, and (2) with a view to having all the geographic trade zones properly represented. Thirty-two witnesses represented important steamship lines which had agreements or affiliations with other lines; while eight represented so-called independent lines, and appeared before the Committee to explain the difficulties which they encountered in meeting the practices of the so-called conference lines. Nearly all of the other witnesses appeared as representatives of freight bureaus, boards of trade, and other commercial associations. While numerous individual shippers voluntarily presented their grievances to the Committee,

under promise of confidential treatment, very few were willing (fearing retaliation) to testify openly against the steamship line or lines upon which they were dependent for the movement of their freight.

(7) At the conclusion of the hearings, and in view of the contentions of the conference line representatives and the reluctance of shippers to express their complaints openly for fear of retaliation, the Committee decided, under promise of confidential treatment, to ascertain approximately the extent to which leading shippers indorsed [6] the views of the conference line representatives. Accordingly, the Committee addressed a circular letter, under date of February 18, 1913, (for copy see p. 17) to approximately 2,000 individuals and firms, this number including manufacturing firms, exporting largely to foreign markets, as well as all export commission houses, forwarders, brokers and managers enumerated in the 1912 issue of the American Exporters' Export Trade Directory for the ports of New York, Boston, Philadelphia, Baltimore, New Orleans, San Francisco, Portland, Seattle and Tacoma. Nearly 300 replies were received in response to the above-mentioned letter, the majority of the communications expressing in detail the reasons for their approval or disapproval of steamship conferences and agreements. These replies have been classified and summarized in volume 2 (pp. 1397–1408) of the Committee's Proceedings. Although a more general response would have proven more conclusive, the replies received indicate the position taken by leading exporting and importing interests of this country regarding the advantages and disadvantages of steamship conferences as now conducted. This is particularly the case, since most of the replies came from large manufacturing and ex-

porting commission houses, whose business operations extend to many geographic divisions of our foreign trade, and whose many years of experience have given them the opportunity to compare conditions prevailing under both the competitive and noncompetitive systems in the shipping business.

(8) Although our diplomatic and consular representatives were instructed to report the extent to which the countries of their official residence grant subsidies, subventions, bounties or other similar advantages to steamship lines, the Committee did not particularly emphasize this phase of the investigation, partly because the subject was comprehensively covered in the Annual Report of the Commissioner of Navigation for the year 1909, and partly because the British Government recently issued a detailed summary on "Bounties and Subsidies in respect of Shipbuilding, Shipping and Navigation in Foreign Countries" (Cd. 6899, June 1913). The numerous reports on the subject submitted to the Committee by American diplomatic and consular representatives have, however, been published in volume 3 of the Committee's Proceedings and may there be found classified under the names of the various countries.

[7] PLAN AND PURPOSE OF THE REPORT.

The following pages represent the bringing together, in the form of a classified summary of all the essential facts obtained from all sources just enumerated. In view, however, of the constant changes occurring in the relations between at least some of the hundreds of steamship lines involved in the investigation, it should be noted that this report presents the facts as they existed at the close of the hearings and the re-

ceipt by the Committee of the answers to the Schedules of Inquiries addressed to the steamship lines, the railroads, and our diplomatic and consular representatives. While changes have no doubt taken place since the information was obtained, it is certain that the general situation has not materially changed.

It was considered advisable to divide this report into two parts, viz, Part I, dealing with "Steamship Agreements and Affiliations in the American Foreign Trade," and Part II, relating to "Steamship Agreements and Affiliations in the American Domestic Trade." Each part, in turn, has been divided and subdivided in accordance with the geographic trade zones of, and trade routes in, our foreign and domestic trade.

S. S. HUEBNER.

[91] CHAPTER III. AGREEMENTS IN THE AMERICAN-AFRICAN TRADE.

UNDERSTANDING BETWEEN THE LINES OPERATING TO SOUTH AND EAST AFRICA.

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[96] (5) All contracts with shippers are made for the account of all the lines in the agreement, each carrying its proportion of the contract freight as it is tendered from time to time. The testimony before the committee shows that such contracts have been entered into with various large American corporations, such as the Standard Oil Co., the New York Lubricating Oil Co., the Union Carbide Sales Co., and the International Harvester Co. Using the contract between the New York Lubricating Oil Co. and R. P. Houston & Co. for illustrative purposes (Mr. Halm advised the committee that the terms and

conditions of this contract are exactly the same as in the contract with the Standard Oil Co.), it appears that the oil company contracts with R. P. Houston & Co., as agent for all the South African lines, for freight room for all shipments to Cape Town, Mossel Bay, Algoa Bay, East London, Port Natal, and Delagoa Bay during the next two years from date at the freight rates specified in the contract. At the expiration of the two-year period, the contract is to continue indefinitely, subject to termination at any time thereafter by a nine months' notice in writing by either party to the contract. R. P. Houston & Co., on behalf of the lines, agrees to furnish at least one steamer per month for all the ports mentioned, except Mossel Bay, during the term of the contract, and the oil company agrees to announce the quantity of cargo to be shipped in ample time to allow for the proper supply of tonnage. All shipments must be [97] made in steamers named by R. P. Houston & Co., and it is agreed that—

> should the lines mentioned make a contract during the period of this contract for the transportation of similar articles to those mentioned in this contract at rates lower than those mentioned above, the New York Lubricating Oil Co. shall be given the benefit of such reductions on the same goods by the said steamer or steamers that carry the goods at the reduced rates.

It should be added that in the case of large shipments, such as the Standard Oil Co., advance notice of the quantity of cargo to be shipped during the next 30 or 45 days must be given, owing to the fact that the amount of their cargo is so large that no one line can satisfactorily carry the same unless such previous notice is given.

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[109] CHAPTER V. AGREEMENTS IN THE AMERICAN-ASIATIC TRADE.

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AGREEMENTS GOVERNING THE EASTBOUND AND WESTBOUND TRADE BETWEEN THE AMERICAN ATLANTIC SEABOARD AND THE FAR EAST VIA SUEZ.

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[114] * * * It is the declared purpose of the Eastward Agreement to "equitably divide all bookings" and to this end all contracts must be taken for joint account.

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[116] All the lines in the Conference have agreed to quote the same rates to all shippers. None of the contracts with shippers, most of which are joint contracts, it was testified (vol. 1, p. 390) give special rates or rebates to some shippers which are denied to others. Although the contract rates are generally less than those specified in the regular tariff, the lines pursue a policy of giving the small shipper the same contract rates as the large shippers, and are willing at all times to contract with all shippers on the same terms. (Vol. 1, pp. 390 and 391.)

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[117] In addition to pooling, however, a deferred rebate system exists in the westbound trade (no deferred rebates exist in the trade eastbound) from all the ports of the Far East to the United States.

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[137] * * * In fact, the Committee has received fewer complaints from shippers in the Oriental trade than from those engaged in any of the other leading foreign markets. * * * Most of the above-mentioned firms voice the general conclusion that

the organization of steamship interests into well-organized units for the conduct of the trade has produced much better results for exporters and importers than existed prior to the adoption of conference arrangements. Merchants, it is stated repeatedly, are not obliged to face conditions of absolute uncertainty as regards rates and shipping opportunities, and all are thus placed upon the same basis in their estimates on contracts.

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[153] CHAPTER VI. AGREEMENTS IN THE TRADE BETWEEN THE UNITED STATES AND SOUTH AMERICA.

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[164] AGREEMENTS IN THE AMERICAN-BRAZILIAN TRADE.

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[160] *Contracts with shippers.*—Freight contracts which are made for a specific sailing, or for a period not exceeding three months, are made by each line for its own steamers and on its own responsibility. But all contracts which extend beyond three months, or which involve a very large volume of freight, are usually joint contracts, i. e., made by one line on behalf of all the lines, each line assuming a one-third liability. Contracts involving large amounts of staples are also made jointly with a one-third liability for each line. (Vol. 1, pp. 155, 206.) It is only in connection with the joint contracts, the Committee is advised, that the lines distribute the traffic in New York.

A large number of joint contracts have been entered into by the several lines with such corporations as the Baldwin Locomotive Works, the Singer Sewing Machine Co., the United States Steel Corporation, the Barber Asphalt Paving Co., etc., and sample

copies have been submitted to the Committee. (See vol. I, pp. 247 and following.) Each line making the contract does so on behalf of all the lines, and the agreement covers the transportation of the shippers' *entire shipments* of merchandise from New York to the designated ports in Brazil at rates and conditions prescribed in the contract. In return for the shippers' entire freight, the steamship companies obligate themselves to provide space on receipt of ample notice of the shippers' requirements.

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[164] * * * Not only did the shippers wish not to lose the rebates that had accumulated, by patronizing the Pan American Mail Line (and as already explained, the giving of any freight to an opposition line meant not only the loss of rebates in the trade to the United States but also in the trade to Europe), but they were possessed with the fear that if they used the Pan American Mail Line's steamers the syndicate lines would, on one pretext or another, retaliate by refusing them accommodations on their subsequent shipments both in the American and European trade. (Vol. 1, p. 87.)

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[165] * * * Moreover, the representatives of the Pan American Mail Line charged that the opposition lines not only threatened shippers with the loss of their rebates in both the American and European trades, but let it be known that they would refuse to accept any longer the cargoes of disloyal shippers and would also start an opposition service with a view to running the American line out of the trade. Vol. 1, p. 19.)

[p. 165]

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[167] * * * Briefly summarized this statement shows that Arbuckle Bros. encountered the following difficulties:

(1) having refused to enter into the rebate agreement, the syndicate lines refused entirely to carry their coffee, even at full syndicate rates. Numerous shipments have been tendered to the syndicate lines, in accordance with the advertisements of the lines, but all have been declined on various pleas.

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[170] AGREEMENTS IN THE TRADE BETWEEN THE UNITED STATES AND THE RIVER PLATE.

Southbound trade.—

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* * * It is also a part of the understanding that merchants who contract with individual lines for the shipment of large quantities of materials or for shipments during a season or a year, have the privilege of loading all their shipments, as they may desire, upon any steamer or steamers of any of the five [171] lines which may be on the berth at the time the merchants wish to make the shipments, but subject to arrangement with the agent of the particular line which closes the contract.

* * * * *

[172] There are only a few joint contracts with shippers in this trade, all the testimony being to the effect that it is the general practice for each line to make its own contracts and to assume sole liability for the fulfillment of the same.[2] Numerous contracts

[2] Several witnesses expressed their belief that there is only one important joint contract, the same having been entered into between the Barber Line and the Standard Oil Co. The contract was concluded because the Standard Oil Co. insisted on having more frequent sailings than Barber & Co. could give,

with shippers were submitted to the Committee by several of the Argentine lines, and the contract made between R. P. Houston & Co. and the Hagemeyer Trading Co. on June 27, 1912, (vol. 1, p. 120) is illustrative of the individual contracts made by all the Argentine lines. The shipper according to this contract agrees to give the steamship line his entire shipments from New York to Montevideo, La Plata, Buenos Aires, Rosario and Bahia Blanca, for a designated period, usually a year, and the steamship line obligates itself to provide tonnage at definitely prescribed rates for all shipments offered, provided reasonable notice of intention to ship is given. The contract expressly provides that the entire shipments of the shipper can be sent only by the steamers of the contracting line, or "by steamers designated by the contracting line," thus implying that, while each line makes its own contracts with shippers, all shipments of [173] merchants contracting with any of the conference lines must go by conference steamers only, in case the contracting line can not carry the goods, because, as Mr. Daniels explained, the lines in designating steamers as per the terms of the contract would not go outside of their friendly conference arrangement. (Vol. 1, p. 226.) It is also stipulated in the contract that in case the steamship line reduces its rates to any other shipper during the period of the agreement, it will give the shipper the benefit of all such reductions during the period that the lower rates remain in force.

The policy of having each line in the conference make its own contracts, instead of having joint con-

and accordingly the contract specifies other lines, each line assumes a certain definite liability as to the quantity of cargo it will carry.

tracts, was adopted to avoid the disadvantages of a divided responsibility. "If the contract included all of the lines," according to Mr. William E. Halm, Manager of R. P. Houston & Co., (vol. 1, p. 277) "it would obligate each of those lines to provide tonnage, but there would be a divided responsibility which would not satisfy the shipper at all. In case of a very sudden rush of cargo or in case of delayed steamers, there would result an accumulation of much more cargo than all the prompt steamers could move immediately, and the shipper would be shifted from one line to the other. I would tell him to go and see the American & Rio Plata Line, and they would tell him to go and see the Barber Line in order to get his room. But in case one line makes the contract, that line is responsible to furnish the shipper that room; and that form of contract is considered by us and by the shippers as the one that carries with it the best fulfillment of the contract." Mr. Halm, however, testified that while there is nothing in the contracts of his line that implies liberty on the part of the merchant to ship by any of the other lines, as a matter of fact each contractor is allowed to ship by any of the other conference lines working in harmony with the Houston Line. (Vol. 1, p. 277.)

All of the witnesses before the Committee representing the Argentine lines testified that small shippers, if willing to contract, are offered the same rates as the big shippers and are allowed to enter into contracts with the lines on identically the same terms. (Vol. 1, p. 246.) Furthermore, in case large shippers have entered into contracts at rates below the regular tariff, small shippers are allowed to contract subsequently at the same rates for the balance of the year, it being the desire of the line to have all the con-

tracts expire at the same time. (Vol. 1, p. 246.). In fact, the representatives of the lines [174] have been a unit in testifying that they are anxious and always ready to make contracts with as many shippers as possible. On the one hand the steamship lines find a large number of contracts on their books highly advantageous in the establishment of a regular service, since in the case of large steamers it is impossible to wait until the boat is on the berth before soliciting cargo. On the other hand, nearly all the merchants of any importance in the trade want such contracts in order that they may contract for the future and know that when their goods arrive in New York there will be steamers on hand to convey the same. [172–174]

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[184] RELATIONS BETWEEN THE LINES OPERATING FROM NEW YORK TO THE WEST COAST OF SOUTH AMERICA; AND VICE VERSA, VIA THE STRAIGHTS OF MAGELLAN.

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[186] *Contracts with shippers in the southbound trade.*—Much of the freight from the United States is carried under informal contracts for firms which have large interests on the west coast of South America. Such firms are, as a rule, given a fixed rate per ton for a specified period on all their shipments in bulk. These large block shipments often consist of different kinds of material which are not [187] necessarily known to the steamship line beforehand, and the rate applies to the whole bulk of merchandise without regard to the rates which would be charged on particular articles if offered separately for shipment. It follows that the average contract rate on articles included in the large bulk consignment might

be lower than the rates applying to the same articles when sent by exporters who are unable to furnish large combination cargoes. (Vol. 1, p. 487.)

Furthermore, in at least one important instance, special rates are given to a large corporation. Mr. M. Bouvier testified that with the exception of the United States Steel Corporation, the "Merchants' Line" treats all shippers alike in the matter of rates at a given time. The United States Steel Corporation, however, furnishes a very large tonnage, and while there is no agreement for the exclusive handling of the freight, the "Merchants' Line" gives this corporation rates (which are in writing) about 15 per cent below the rates offered to other shippers. While the United States Steel Corporation has not bound itself to supply a definite amount of tonnage in consideration of the special rates, Mr. Bouvier explained that his line can obtain all the freight it wants from the corporation. (Vol. 1, pp. 490–492.)

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[225] THE PORTO RICAN TRADE*

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[236] *Contracts with shippers and discrimination in rates between shippers.*—In the absence of an amicable understanding between the lines in a given trade, the desire for self-protection causes each line, unless prevented from doing so by government regulation, to resort to secret and preferential arrangements with individual shippers in order to secure their freight. In this respect the Porto Rican trade offers an excellent illustration of the existence of special contracts with shippers and discrimination in rates.

Representatives of the Porto Rican lines have

*Footnote omitted.

frankly acknowledged that shippers in this trade, under present conditions, are not treated alike. Mr. F. D. Mooney testified that the New York & Porto Rico Steamship Co. has many special contracts with shippers in both the homeward and outward voyages, that different contracts quote different rates, but that no system of deferred rebates exists in the trade (vol. 1, p. 632; 637). He was frank in stating that, under present conditions, one shipper might be granted rates lower than another; that at a given time, and on the same vessel and with reference to the same commodity, a large shipper might get a more favorable rate than his smaller competitors; and that his line made a distinction between shippers on account of the quantity shipped (vol. 1, pp. 634, 635, 636).

In its circular letter to shippers, under date of July 12, 1911 (vol. 1, p. 395), the Insular Line gives the following lucid explanation of the effect which the rate war had in compelling it to change its [237] former policy of charging uniform rates to all shippers. The following is the statement:

> We feel that the trade with Porto Rico in order to flourish requires a weekly service at steady and reasonably remunerative rates rather than infrequent sailings at fluctuating tariffs and cut rates which can not be permanent. We feel also that the importers in Porto Rico will make no greater profit from their business with fluctuating tariffs and cut rates than under our former regular, reasonable, and steady rates, which were the same for every shipper, yet we feel that we, who have always quoted lower rates than any other steamship line in the field and who have quoted uniform rates to all shippers of the same kind of merchandise by the same steamer, can not allow our competitors to take credit to themselves for the present reductions in rates which

> were forced upon them by us. The policy of this company has been and will at all times continue to be based upon giving our customers the lowest rates to Porto Rico, so that in the near future shippers may expect to see as much as 70 per cent discount from the Porto Rico Line tariff rates.

Mr. Mooney testified that his line "makes its rates according to conditions and they naturally vary," and that it has special contracts with a great many shippers, among them being the American Tobacco Co., National Packing Co., Swift & Co., the Texas Co., etc. (See list in vol. 1, p. 636.) The form of the contract is the same in all cases, except where port conditions are different, or where different rates may be quoted (vol. 1, pp. 636, 637). The contract of May 23, 1912, with Swift & Co. (vol. 1, pp. 632–634), for example, provides that the shipper has the privilege of forwarding via steamers of other lines than those of the New York & Porto Rico Steamship Co. ten per cent of all their provision shipments between the United States and Porto Rico, but in consideration of the rates named it is understood that during the life of the agreement all their remaining provision cargo is to be shipped by the contracting line's vessels. It is further agreed that *if any general reduction* is made by the line in its present freight rates on commodities handled by the shipper, the latter are to have the *proportionate benefit* of such reduction during the period that the contract is in force.

When asked to furnish his line's contracts with shippers, Mr. Mooney requested that there be no disclosure of the rates charged (vol. 1, p. 636). Mr. Bull, likewise, requested that he be not asked to disclose his contract arrangements with shippers, since, as he states in reply to the Committee's Schedule of Inquiries "self-protection [238] makes it im-

perative that we withhold any information regarding this subject at this time for the reason that our competitors have informed us that they will follow up all the business we are doing, and as fast as our contracts expire will either oblige us to take the business for nothing or force us out. There is nothing we wish to withhold except so far as our competitors may secure the information to use against us." He testified that his line can only protect itself with long-term contracts, some for three years, and that in this way it is "getting a higher rate of freight to Porto Rico than either of its competitors on a great many things" (vol. 1, p. 413). [236-238]

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[281] CHAPTER X. SUMMARY,

METHODS OF CONTROL IN CONNECTION WITH SHIPPING CONFERENCES AND AGREEMENTS—ADVANTAGES AND DISADVANTAGES OF SUCH CONFERENCES AND AGREEMENTS—RECOMMENDATIONS FOR PROPOSED LEGISLATION.

METHODS OF CONTROL EXERCISED IN CONNECTION WITH STEAMSHIP CONFERENCES AND AGREEMENTS IN THE AMERICAN FOREIGN TRADE.

The foregoing chapters contain a description of 80 steamship agreements and conference arrangements, which, when considered collectively, show that as regards nearly every foreign trade route practically all the established lines operating to and from American ports work in harmonious cooperation, either through written or oral agreements, conference arrangements, or gentlemen's understandings. The few instances where two or more lines serve the same route and have denied the existence of written or oral agreements for the regulation of the trade, are exceptions and not the rule.

An examination of the numerous aforementioned agreements and conference arrangements shows that they differ greatly in their details, especially since most of them are adapted to meet the needs of the particular trades to which they apply, or the special requirements of the several lines which are parties to the arrangements. Aside from these differences of detail, however, all the agreements and arrangements show one unmistakable purpose, viz, the control of (1) competition between the lines which are parties to the agreement or conference, and (2) competition from lines which are outside of the conference. The methods (as revealed by the aforementioned agreements) which effect control of what would otherwise be unrestrained competition are many and may be briefly summarized and illustrated as follows:

[282] I. *The regulation of competition between the lines*, parties to the agreement or conference, with a view to maintaining rates and securing to each line a certain portion of the traffic. These purposes are accomplished today by any one of the following methods:

1. *Effecting an agreement or understanding with reference to the rates charged.*—In this regard the lines may enter into:

(a) *Fixed rate agreements.*—This method may be illustrated by the N. D. L. V. Freight Agreements,[1] the Baltic Pool Agreements,[2] the Mediterranean Freight Agreement of December 15, 1911,[3] and the agreements or understanding governing the lines operating from New York to Australia,[4] New York to South, East and West Africa,[5] New York to Asia via Suez and

[1] Ch. I, p. 28.
[2] Ch. II, pp. 72–74.
[3] Ch. II, p. 79.
[4] Ch. IV, p. 104.
[5] Ch. III, p. 98.

return; New York to most South American ports and return; and Asia to American Pacific Coast ports.[6] Generally speaking the rates are definitely prescribed in the agreement or in the tariffs agreed upon, and all changes in such rates must be made by mutual consent. Where a pooling arrangement exists, it is sometimes the understanding that while the companies agree not to accept freight at less than certain prescribed rates, each line is permitted on each sailing of a steamer to accept heavy freight, not exceeding a certain designated total, at less than the prescribed rate, but in case this is done the line must account for the same in the pool at the actual freight rate received for that quantity.

(b) *Minimum rate agreements.*—This method of regulating competition is used most extensively in the North Atlantic European passenger and freight business. Thus in the first and second class passenger business the primary purpose of the agreements, as explained in Chapter I, is to establish minimum rates for each steamer of the several lines, depending upon the type of vessel. The business, however, is not pooled, and each steamer may charge more than the agreed minimum, depending upon the facilities offered to passengers. In the North Atlantic steerage business, where a pooling system prevails, the lines are not permitted by the agreements to reduce rates below a certain minimum in order to obtain their stipulated share of the business, but instead the lines which are obtaining passengers in excess of the allotted amount must [283] advance their rates so that traffic will be diverted to the lines which are not securing their proper share of the business. Similarly, in the eastbound and

[6] Ch. V, p. 115.
[7] Ch. VI, pp. 153–188.
[8] Ch. V, pp. 130, 131.

westbound freight traffic between American North Atlantic ports and the United Kingdom, and in the eastbound trade from New York to Mediterranean ports, the lines are governed by minimum rate agreements. The lines meet in conference and notify each other of their minimum rates upon a large selected list of articles, the rates thus filed being subject to change only after an agreed period of notice, varying from 30 to 60 days. In other words, the lines agree not to take freight (certain bulk articles being excepted) below the agreed minimum rates, but any line can serve notice that at the end of the designated period it will change these rates. Usually these minimum rates are the actual rates, except when rates advance very rapidly and the lines are in a position to charge more than the minimum.

(c) *Differential rate agreements.*—Thus in the trade between New York and Venezuelan ports the Royal Dutch West India Mail Line adheres to the rates of the Red "D" Line, but owing to its indirect and slower service has the right, by virtue of an understanding, to charge rates which are 5 or 10 per cent under those charged by the Red "D" line (p. 176). Certain North Atlantic passenger agreements governing first and second class passenger traffic, as indicated in Chapter I, also allow certain steamers a special rate which will measure the different services.

(d) *In some instances one line will be sufficiently powerful to dominate the other lines* and, without effecting any definite understanding, secure the desired conditions in rates. In fact, such domination was found to exist in nearly every instance where two or more lines serve a given route and no agreement was admitted. Only a few illustrations need here be given. The three lines operating in the trade between New York and the west coasts of South America via

the Straits of Magellan have apparently avoided anything that resembles an agreement or gentleman's understanding; yet the dominant carrier, according to the testimony, determines the tariff of rates, and the smaller lines adopt these rates in full, or follow them as closely as possible (p. 186). In the trade to most of the eastern ports of Central America the United Fruit Co. holds such a dominant position (its steamers being so much larger and its service so much more regular and frequent) that the few small competitors are [284] allowed to operate without opposition and charge the same rates (pp. 191–194). Again no agreement seems to exist between the lines operating in the trade between the Pacific coast ports of the United States and the west coast of Central America and Mexico. The facts obtained by the Committee tend to show, however, that the Pacific Mail Steamship Co. is the dominant power in the trade and that the other lines adopt its rates and refrain from antagonizing its interests (pp. 196, 197). In all of these illustrations the dominant line is so powerful that for the small competitors to start a rate war would mean their speedy elimination. In this connection there are also a few instances where a nonconference line works in friendly cooperation with the conference lines as regards rates. The Norton Line, for example, is not a party to the agreement governing the New York-River Plate trade; yet the conference lines keep the Norton Line posted as to the rates they are charging although that line is under no obligation to maintain the same. But as already explained (p. 174), "the Norton Line has maintained the rates of the other lines and the relations between it and the five conference lines are just as cordial as they were when the line formerly belonged to the conference."

2. *Apportioning the traffic by allotting the ports of sailing.*—This method may be illustrated by the following examples: The N. D. L. V. agreement, which allots certain European ports to each of the four signatories thereto, and which stipulates that "vessels in the trade with the United States shall not call either outward or inward at any home or adjacent port from or to which the vessels of any of the four lines are already sailing" (p. 27); the agreement between the Hamburg-American Line and the North German Lloyd, whereby these lines reserve to each other, respectively, the ports of Hamburg and Bremen as regards sailings from all American ports north of Savannah (p. 71); the traffic arrangement between the Russian East Asiatic Line and the Holland-American Line with reference to Rotterdam, the first line expressing its intention to operate to Russian ports only, but that, when obliged to call at Rotterdam for extra cargo, it agrees to maintain the rates of the Holland-American Line (p. 69); the agreement of 1908 between the Royal Mail Steam Packet Co. and the Hamburg-American Line whereby the first company agrees not to extend its American service to Haïtian ports and Santa Marta (p. 214); and the agreement between the [285] Compañia Maritima Cubana and the New York and Cuba Mail Line (recently terminated) for a territorial division of the destination ports in Cuba as regards the trade to and from New York (pp. 205, 206).

3. *Apportioning the traffic by restricting the number of sailings on the part of each line.*—A typical example of this method is afforded by the agreement governing the lines which operate between New York and the Orient via Suez. Each of the lines is allotted a certain number of sailings, these being distributed as nearly as possible at regular intervals throughout

the year, and the order of taking the berth is mutually arranged between the lines. Additional sailings can be admitted only by the consent of two-thirds of the signatories, based on the respective number of sailings (p. 113). Similarly, in the agreements governing the American-Brazilian trade the Lamport and Holt Line is allowed 24 sailings from New York, the Prince Line 24, and the joint service of the two Hamburg-American lines 24, while from Brazil the Hamburg-American services are allotted 24 sailings to New York, the Prince Line 24 to New York and 12 to New Orleans, and the Lamport and Holt Line as many as may suit its convenience. The Hamburg-American lines, furthermore, agree to withdraw their service to New Orleans, sailings to that port to be maintained only by the steamers of the Lamport and Holt and Prince Lines (p. 155).

4. *Limiting the volume of freight which certain lines may carry.*—Very few such arrangements exist in the American foreign trade. The White Star Line (the most prominent indirect carrier between New York and Australia), for example, has an oral understanding with the three direct lines operating from New York to Australia whereby the measurement cargo carried by the White Star Line from New York via Liverpool for Australia shall not exceed one-fourth of the aggregate measurement cargo taken by all four lines. Otherwise the White Star Line is not a party to the pooling agreement into which the other three lines have entered, and is free to quote its own rates (pp. 105, 106).

5. *Pooling the freight money from all or a portion of the cargo,* the same to be divided in certain agreed proportions among the lines which are parties to the agreement. The pool is generally managed by some designated official on such a basis that, after provision

is made for certain payments to meet the cost of running the [286] steamers, the balance of freight money is divided among the lines in such a manner that each obtains in the apportionment the amount allotted to it by the terms of the agreement. In some cases (the steerage agreements [1] and the Baltic pool [2] serving as illustrations), each line is allotted a stipulated percentage of the total traffic, and at stated intervals an adjustment is made whereby the line or lines which have overcarried their allotment must pay to the lines which are short of their proportion a certain stipulated compensation. In other cases (Mediterranean Freight Agreement of 1911 [3] and the Calcutta-Pacific Conference Agreement [4]), the lines are divided into two groups, and each group of lines is allotted, say 50 per cent of the total freight of all the lines, as in the first case, or one-third for the Calcutta lines and two-thirds for the Pacific lines, as in the last instance. Sometimes the entire freight earnings are pooled; whereas in other cases (New York-West African trade [5]) the several lines each receive, say 25 per cent of the earnings and the balance is then equally divided between the signatories to the agreement.

6. *Agreements between conferences, or between a group of conference lines and a nonconference line, where several trade routes adjoin or intersect one another.*—Such agreements are illustrated by the N. D. L. V. passenger agreements with the Compagnie Generale Transatlantique and the American Line; known as Agreement "L"; [6] with the Compagnie

[1] Ch. I.
[2] Ch. II, pp. 71–75.
[3] Ch. II, p. 79.
[4] Ch. V, p. 143.
[5] Ch. III, p. 92.
[6] Ch. I, p. 28.

Generale Transatlantique, known as agreement "G";[7] with the Canadian Pacific Railway Co. known as agreement "J"[8] and with the Austro-Americana, known as agreement "X."[9] Similarly, as noted in Chapter I, the Mediterranean Conference Lines have effected agreements with the Austro-Americana, and the American, White Star and French Lines, relative to their Italian and Oriental steerage passenger traffic via their Channel services.

7. *Requiring the lines to deposit a stipulated sum as a guaranty of good faith and declaring such deposits forfeited on the part of any line*, if it renders any assistance, directly or indirectly, to a nonconference line, or itself starts a new service which will interfere with the trade covered by the conference. New lines may not be admitted, as a rule, except by unanimous consent; and sometimes the agreements also stipulate that the lines "agree to abstain from [287] attacking, or competing for, any trade in which any other of the signatories may at present be engaged."

H. *Meeting the competition of lines outside of the conference.*—While the conference lines regulate competition between themselves through one or more of the above-mentioned methods, and agree not to aid or encourage a nonconference line, nearly all the agreements which do not contain a deferred rebate system make no direct reference to the methods which should be adopted for meeting the competition of outside lines, this matter apparently being reserved entirely for conference action. In this respect the agreements frequently provide that the signatories must take joint action to defend their mutual interests in the event

[7] Ch. I, p. 29.
[8] Ch. I, p. 30.
[9] P. 38.

of competition from other lines. Three methods seem to have been adopted to accomplish this purpose, viz:

1. *Deferred rebate systems*, whereby shippers, who agree to employ exclusively the steamers of the conference lines in a given trade, are allowed a rebate of a certain percentage of their freight payments (usually 5 or 10 per cent), which rebate is computed for a designated period (usually every three, six, or twelve months), but which is not paid until after a certain number of months (usually six months) following the period for which it is computed, and only on the condition that during the entire time, including both the period for which the rebate was computed as well as the time of deferment, the shipper has given his *exclusive* support to the conference lines. Since the time of payment of the rebate follows the period for which it is computed, the shipper, if he desires to obtain the rebate, is under constant obligations to the conference lines, and is prevented from patronizing any other service since that act would mean the forfeiture of all accumulated rebates. Judging from the facts produced in the foregoing pages, this method has proved by far the most effective device for the control of a trade, and is being used principally in the long-distance trades (such as, for example, the westbound trade from the Orient* and most South American ports*) where the regular lines feel that they can assure to shippers a regular and efficient service only on condition of exclusive support. The system has proved especially effective where American importers are also importers in Europe and the same conference lines serve both the [288] American and European trade, and where (as in the coffee trade from Brazil to Europe and the United States*) the deferred rebate

*Footnotes omitted.

agreement stipulates that the payment of the rebates is dependent upon the shippers' exclusive use of the conference lines for all shipments destined to either the United States or Europe, thus making it impossible for an independent line to secure freight unless it stands in a position to protect the shipper in both his American and European shipments. Moreover, as has been repeatedly pointed out in this volume, shippers require, above all else, a regular service, and in this connection the testimony shows that by patronizing an outside line the shipper would not only forfeit his rebates but could be penalized by being denied accommodations for future shipments even at the full rates of freight. Such retaliation would leave the shipper unprotected since an independent line is not large enough to supply him with tonnage at all times. In other words, the conference lines, by rotating the sailings of their steamers, can give a regular and frequent service, whereas the independent line with its fewer steamers can only offer sailings at less frequent intervals.

With the exception of the rebates to Bermuda, Martinique and Guadeloupe* (where, however, the rebates are not deferred, but depend upon the size of the shipper's total shipments), the deferred rebate systems now in use are equally open to all shippers who agree to give exclusive patronage, and are granted without discrimination as regards the size of individual or total shipments. Moreover, nearly all the rebate systems apply only to the American import trade, only four instances having been found where such rebates are granted in the export traffic from American ports, viz in the New York-Bermuda, Martinique and Guadeloupe trades (which, as noted, are not strictly deferred),* in the New York-Colom-

*Footnotes omitted.

bian trade,* in the New York-Kingston (Jamaica) trade,* and in the trade from the United Kingdom to certain American Pacific coast ports.* With reference to the American export trade it seems that the lines are laboring under the assumption that deferred rebates are illegal; and in some cases where such rebates formerly existed they have been abandoned, and where their adoption has been taken under consideration, a decision was reached not to establish the same. In the import trade, on the contrary, the lines appear to go on the theory that this country [289] has no jurisdiction over the matter, and that such rebates may be freely granted if the arrangement is made abroad and if the rebates are paid at a foreign port. But in this connection it should be noted that the deferred rebate system, although applied only to the import traffic, is, nevertheless, a very effective device for the control of the trade, since to make the trade profitable an independent line must have cargo in both directions.

2. *The use of fighting ships; or collective competition against a single competing line.*—To what extent this practice prevails at present is difficult to ascertain, practically all of the steamship line representatives who testified before the Committee having denied the existence of the practice. But the facts obtained by the Committee show clearly that this method has been used in recent years. Thus, in the North Atlantic passenger traffic, the evidence presented in the suit against the Hamburg-American Line et al. shows that in about the year 1908 the conference lines authorized the appointment of a committee for the purpose of selecting fighting steamers to destroy the competition of nonconference lines. This committee, according to the evidence, would select suitable steamers from any

*Footnotes omitted.

of the conference lines to sail on the same days and between the same ports, the regular rates being reduced to a point sufficiently low to secure the traffic. As already stated in this volume (p. 46) "the evidence in the Government's suit shows that such opposition sailings were repeatedly instituted against certain independent lines. * * * Any surplus of passengers which were booked for the fighting steamer, but which could not be carried by the same, would be transferred to other conference line steamers at the reduced rates. The expenses and loss from the lower rates, resulting to any line whose vessels had been selected, were distributed over the members of the conference. It was thus a case of all the lines, united in conference, opposing every sailing of a single opposition line. By distributing the loss over the several members of the conference, each constituent line would suffer proportionately much less than the one line which was fighting the entire group, and which would inevitably soon exhaust its resources in the conflict with the combined power of the large lines with their superior speed and better third-class accommodations." Again, in the freight traffic, it appears that six leading German lines established a "fighting corporation," called the Syndikats-Rhederei, the shares of which were apportioned among [290] the various lines with reference to the tonnage of the companies. This fighting corporation was organized toward the close of 1905, and according to the report of Mr. Robert P. Skinner, American Consul General at Hamburg, "four comparatively small and inexpensive steamers were purchased, and these, with such others as may be chartered from time to time, are hired out to the six owners of the company to meet dangerous competition and to drive it away. The fighting ships handle chiefly bulk goods, leaving merchandise which requires prompt transportation to the care of the parent company, which maintains its

nominal rates as far as possible, the stress of competition being borne by the fighting ships principally. In times of peace the fighting ships engage in regular trade on time charters. As this corporation is not one for profit primarily, the investment in reality, is a new sort of insurance." (Vol. 3, pp. 53–54.) Mr. W. G. Sickel, Vice-Director in charge of the Hamburg-American Line, testified before the Committee that "it is a well-known fact that the Syndikats-Rhederi does exist," and that he believed that its purpose is as stated above. (Vol. 2, p. 826.)

3. *Contracts with shippers which may be classified as:*

(*a*) *Joint contracts made by the conference as a whole.*—Such contracts are made for the account of all the lines in the agreement, each carrying its proportion of the contract freight as tendered from time to time. The contracting lines agree to furnish steamers at regular intervals and the shipper agrees to confine all shipments to conference steamers, and to announce the quantity of cargo to be shipped in ample time to allow for the proper supply of tonnage. The rates on such contracts are less than those specified in the regular tariff, but the lines generally pursue a policy of giving the small shipper the same contract rates as the large shippers, i. e., are willing at all times to contract with all shippers on the same terms.

(*b*) *Contracts made by the individual members of the conference,* which are open to small and large shippers alike, irrespective of the size of the shipment. According to this type of contract (illustrated by the conference lines in the New York-River Plate trade*) each line makes its own contracts with shippers and assumes sole liability for the fulfillment of the same. The shipper agrees to give the steamship line his

*Footnote omitted.

entire shipments to certain designated [291] ports during a definite period, and the line obligates itself to provide tonnage at definitely prescribed rates for all shipments offered, provided reasonable notice of intention to ship is given. The contract expressly provides that the entire shipments of the shipper can only be sent by the steamers of the contracting line, or "by steamers designated by the contracting line," thus implying that while each line makes its own contracts with shippers, the line when obliged to designate some other line's steamer as per the terms of the contract, would not go outside of the conference. If the line reduces its rates to any other shipper during the period of the agreement it is usually provided that the shipper with whom the contract was made should be given the benefit of all such reductions during the period that the lower rates remain in force. While there is nothing in these contracts that implies liberty on the part of the merchant to ship by any other line than the one he is contracting with, as a matter of fact, the shipper, it was asserted by witnesses, is allowed to ship by any of the other conference lines working in harmony with the line which made the contract. In a number of cases conference lines make both joint and individual contracts with shippers. Thus, in the New York-Brazil trade freight contracts for a specific sailing, or for a period not exceeding three months, are made by each line for its own steamers and on its own responsibility; but all contracts which extend beyond three months, or which involve a very large volume of freight, are usually joint contracts, i. e. made by one line on behalf of all the lines, each line assuming one-third liability and the shipper having agreed, as previously stated, to confine his entire shipments of merchandise to the conference lines[*].

[*]Footnote omitted.

(c) *Contracts with large shippers either for all their freight or for certain important articles forming the main basis in a given trade, at lower rates than those charged on similar goods, if shipped in small quantities.*—In the trade from New York to the West Coast of South America, via the Strait of Magellan, the lines carry much of the freight under informal contracts for firms which have large interests on the West Coast of South America. These firms are given a fixed rate per ton for a specified period on all their shipments in bulk, the rate applying to the entire consignment of merchandise without regard to the rates which would be charged on particular articles if offered separately for shipment, with the [292] result that the average contract rate on articles included in the large bulk consignment might be lower than the rates applying to the same articles when sent by exporters who are unable to furnish large combination cargoes. The representative of one of these lines testified that the United States Steel Corporation, for example, was granted rates about 15 per cent below the rates granted to other shippers because of the very large tonnage offered (pp. 186, 187). Again, the trade between New York and Guadeloupe, Martinque, and Bermuda furnishes another illustration, the ultimate rate of freight in this trade being arranged on a sliding scale based upon the quantity shipped. Since the quantity can not be ascertained in advance, an adjustment is made at stated periods for the purpose of allowing the shipper a refund on the rates which he paid when the freight was offered, and the size of the refund depends upon the quantity shipped. The shipper agrees to send all of his freight by the contracting line, guaranteeing a minimum quantity, and the rebate represents the difference between the freight paid and the actual freight as computed on the basis

of the quantity shipped. The rebate, however, is paid only on the condition that the shipper has faithfully carried out all the terms of the agreement pertaining to the minimum quantity of freight guaranteed, the shipment of all freight by the line, etc. (pp. 219, 220).

4. *Agreements with various American railroads relative to the steamship service for certain American ports.*—Thirty-two such agreements were discussed in the Chapter on "Agreements between American Railroads and Foreign Steamship Lines,[1] and in most instances these agreements provide for an "exclusive" or "preferential" working arrangement between the ocean line and the railroad which are parties to the contract, as regards the use of docks; the furnishing of freight by either party to the other, with the understanding that, so far as it is within their power to control the same, the parties will deliver to each other the freight which has been offered to them for through shipment; cooperation between the parties in meeting competition from other carriers serving the same port; the regulation of rates for purposes of competition, via other ports; the prohibition of other traffic agreements in the trade by either party; and the general promise to mutually aid each other in the promotion and improvement of the export and [293] import traffic through the port to which the agreement applies. These agreements, as stated in Chapter IX, when considered in conjunction with the agreements and conference arrangements existing among the steamship lines themselves, enable the favored lines "to occupy a strongly entrenched position from a competitive point of view, as compared with independent water carriers which have no such steamship conference or railroad connections" (p. 258). In a con-

[1] Ch. IX, pp. 239–280.

siderable number of instances the provisions of these agreements have been altered so as to constitute a "preferential" alliance, instead of an "exclusive" one, but as previously stated (p. 240), "a careful reading of the modified contracts, with their many provisions for a 'preferential' alliance between the parties in the use of railroad terminals and the solicitation and exchange of freight, causes one to wonder whether the change from a condition of 'exclusiveness' to one of 'preference' means much in actual practical results, * * *. Judged from their wording most of the agreements have brought about a close preferential alliance between vast railway systems, controlling the traffic of large sections in the interior of the United States, and important conference steamship lines, which is bound to prove a powerful aid to the preferred water carrier as compared with any independent line not thus allied."

SECRECY OF AGREEMENTS AND PREVALENCE OF ORAL UNDERSTANDINGS.

Reference should here be made (1) to the tendency toward oral understandings, instead of written agreements, between the lines operating to and from ports of the United States, and (2) the care which has been exercised to prevent agreements and understandings from becoming public. Oral understandings were described by various witnesses as "safer" than written agreements, and the preceding chapters refer not only to many agreements which were of an oral nature from their inception but to several instances where written agreements were terminated and oral understandings substituted, the witnesses however admitting that the lines continue to follow the same rates and conditions which were previously observed under the written agreements. In fact, wit-

nesses repeatedly drew the distinction between formal written agreements and oral or "tacit" understandings.

[294] While not involving as strong a moral obligation as written agreements, the evidence shows that for all practical purposes oral arrangements are quite as effective. Judging from the manner in which the lines observe the same, the existing oral understandings give unmistakable evidence of the high order of integrity prevailing in modern business, and justify fully the phrase "gentlemen's agreements." Written agreements seem to have accomplished their purpose in many trades and are apparently no longer needed. The lines in some instances need not even meet in conference; they may avoid every appearance and every act which would seem to show the existence of an agreement or understanding; and yet operate in the same spirit of harmony that would prevail if a written agreement existed. There is still friendly rivalry in procuring business, but this business is secured at not less than certain understood rates. Again, in nearly all of the few trades where agreements or understandings have been denied by all the interested lines, a remarkable uniformity in rates seems to exist and not a trace of a rate war can be found. The situation has been explained to the Committee as one of "following the leader," the dominant carrier fixing the rates and the less important lines adopting those rates, they being allowed to exist in the trade without having an effective fight waged against them, as long as they conform to the rates and conditions established by the dominant carrier.

Where written agreements govern the rates and methods of the lines, the terms of the agreements have been guarded with the utmost secrecy. Whereas domestic lines, with few important exceptions, answered

the Committee's Schedule of Inquiries, the foreign lines, in the majority of instances, either ignored entirely the Committee's request for information or, under one pretext or another, declined to answer. Of the 208 foreign lines to whom Schedules of Inquiries were directed only 88 replied, and in some instances where the Inquiries were answered the lines gave only the merest outline of the agreements or understandings to which they were parties. American diplomatic and consular officers, who were instructed to furnish copies or information of such agreements as far as the same could be obtained abroad, in most cases, when applying to steamship line representatives for the same, met with a polite refusal. A considerable number of the lines objected to the Committee giving publicity to their agreements, either on the ground that a suit was pending, or [295] that other lines should not be made acquainted with their business methods. The testimony before the Committee also shows that in the majority of instances the agreements are only in the possession of the foreign principals of the lines, most American representatives of the lines having expressed a mere knowledge of their existence and an entire ignorance of their provisions.

ADVANTAGES OF SHIPPING CONFERENCES AND AGREEMENTS IN THE AMERICAN FOREIGN TRADE.[1]

Practically all steamship representatives who testified before the Committee, as well as a majority of

[1] The reader is referred to the "Summary of replies received by the Committee in answer to its circular letter of Feb. 18, 1913, relating to the advantages and disadvantages of steamship agreements and conferences," published in Vol. 2, pp. 1397-1408 of the Committee's proceedings. This summary represents the views of leading exporting and importing firms operating at our most important ports. Portions of this sum-

the leading American exporting and importing firms who expressed their views on the subject to the Committee, contended that shipping agreements, conference relations, or oral understandings which steamship lines have effected among themselves in nearly every branch of our foreign trade are a natural evolution and are necessary if shippers are at all times to enjoy ample tonnage and efficient, frequent, and regular service at reasonable rates. Such agreements, it is contended, are a protection to both shipper and shipowner. To the shipper they insure desired stability of rates and the elimination of secret arrangements with competitors. To the shipowner they tend to secure a dependable return on the investment, thus enabling the lines to provide new facilities for the development of the trade. Furthermore such agreements are held to furnish the means for taking care of the disabilities of the weaker lines, whereas unrestricted competition, based on the survival of the fittest, tends to restrict the development of the lines and in the end must result in monopoly. Briefly outlined, the advantages secured through agreements and cooperative understandings, as presented to the Committee, are the following:

I. *Improvement in service:*

1. Regularity of service, resulting in the following advantages:

(a) Opportunities to merchants for shipping are increased, resulting in a much greater increase in the volume of trade, [296] especially to new or remote

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mary are reproduced in this chapter. The reader is also referred to the report submitted to the Committee on the Merchant Marine and Fisheries by the Committee appointed by the representatives of steamship lines maintaining established services from New York to foreign countries, including Porto Rico and the Philippines, under date of Mar. 3, 1913. This Report is published in Vol. 2, pp. 1357–1374.

markets, than would be the case if goods could be supplied only at irregular intervals.

(b) Fixed dates of sailings at regular intervals enable shippers to work with smaller stocks than they otherwise could, thus reducing unnecessary risks, as well as storage charges.

(c) Makes unnecessary the engaging of cargo space considerably in advance, and shippers incur no penalty or other inconvenience if unable or unwilling to ship goods at the last moment.

(d) Merchants are enabled to make forward contracts for the delivery of goods at a definite date. This factor is important in connection with stability and uniformity of rates. In view of both factors merchants can make contracts for forward delivery at a definite date and price, including cost, freight, and insurance. Such contracts are of vital importance in the trade of today, which is largely conducted in large quantities and on the basis of orders placed months ahead and calculated on a small margin of profit.

(e) Without regularity of service in the long-distance voyages, or in the new and undeveloped services, American merchants and manufacturers would be operating at a great disadvantage as compared with European merchants, who now have the benefit of a more highly developed service from European ports to foreign markets.

(f) A better distribution of sailings is secured. Under unrestricted competition a number of vessels may sail from the same port within a day or week, resulting in no sailings from that port for a considerable period thereafter. Under a system of cooperation, however, both the time and ports of sailings are agreed upon, thus "avoiding the waste involved in several ships calling at ports which require only

one and giving an excess tonnage on one date and a corresponding lack of tonnage at other times."

(g) A large portion of American exports coming from the inferior, it follows that, with regular sailings, goods arriving late and missing one steamer may be dispatched by the next steamer of another line, thus causing only a short period of waiting, with the result that unnecessary port charges are avoided, the accumulation of goods is prevented, and the loading and delivery of cargo is facilitated.

[207] *2. Greater security is given to capital invested in the steamship business* and because of this greater security shipowners are enabled to supply an adequate number of vessels of a higher class and greater speed than the ordinary tramp. Moreover, conditions surrounding most trades are dissimilar as regard the depth of water at the ports, the nature of the cargo offered, and the quantity of freight moving during certain seasons. By giving vessel owners a dependable return on the investment they are enabled to provide new facilities for the development of the trade and to adequately adapt the sailings, speed, and equipment to the particular trade. To many merchants the adaptability of the service to the requirements of the trade is highly essential, because of the nature of their exports and imports. The benefits claimed for this advantage are the following:

(a) Cargo is delivered in better order and with greater dispatch and regularity.

(b) Insurance premiums on cargo are reduced; and the rate of insurance may be counted upon as more uniform and stable, thus again favoring merchants in making contracts for the forward delivery of goods.

(c) Loss of interest on the cargo while in transit is reduced.

(d) Shippers are relieved of anxiety as to the class of vessel by which their freight will be shipped.

II. *Stability of rates over long periods of time:*

1. Removes the inconvenience which would exist if merchants and shippers were obliged to quote different propositions on nearly every consignment, thus eliminating what was formerly an undesirable speculative risk under the open competitive system. A uniform selling price in foreign markets is considered highly essential by merchants. Moreover, conference lines seek to give reasonable notice of alteration in rates, and when increasing their rates shippers are allowed to declare outstanding contracts at the lower rate.

2. Reduces the complaints from buyers abroad. American exporters assert that during periods of rate competition complaints from foreign buyers are numerous if sales to them do not happen to be on the lowest basis of cost and freight, while if there is uniformity in rates, even though these rates be on a higher level, it is seldom that foreign consignees make complaints.

[298] 3. Enables shippers and merchants to calculate laid-down costs and sell goods for delivery in the future. American exporters assert that such contracts for future delivery are today a necessity, and in this respect nothing is regarded so detrimental to the export trade as uncertainty regarding sailings and violent fluctuations in freight rates. Fixed rates under a system of cooperation, on the contrary, make possible the contracting for space for months, for a year, or even longer in advance, if desired. Such facilities are enjoyed by foreign exporters to competitive markets, and it is essential that American shippers should be placed on an equally favorable basis. Prominent exporting firms have again and

again asserted to the Committee that they have experienced various rate wars during the past 10 to 15 years and are convinced that the present condition of fixed rates and regular sailing opportunities places all merchants upon the same basis as regards their estimates on contracts and produces much better results for the exporter and manufacturer than could be possible under the old order of things.

4. During periods of rate cutting buyers abroad generally pursue a policy of buying from hand to mouth instead of placing large orders for shipments ahead, because they never know what the goods will cost them by the time the same are received. If they foresee serious fluctuations in rates during the one or more months which are required to dispose of large lots of merchandise, they prefer to buy small lots, even at a greater cost, in order to have a chance to meet their competitors.

5. During periods of rate cutting steamship owners are reluctant to make forward contracts for the carriage of freight because of unwillingness to sell cargo space for the future at a loss.

6. While competition in rates between conference lines ceases, competition in facilities continues. Although the conference system largely results in placing rates outside the influence of competition, by pursuing a policy of charging "what the traffic will bear," these rates must ultimately be reasonable for the following reasons:

(a) It is to the interest of the lines not to charge rates detrimental to the development of traffic. Shipowners depend for success on the good will of shippers, and to build up business must establish rates which will enable their American clients to compete successfully with foreign merchants engaged in the same trade.

[299] (b) Shippers are not placed at the mercy of the conference lines, because in nearly all the important branches of the American foreign trade there is competition from regular lines serving European merchants to the same ports. The lines serving American merchants must meet the rates of the regular lines trading to the same ports from foreign countries. In other words, world conditions govern ocean rates to and from the United States.

(c) If the rates of the regular lines, to quote the New York Committee, "should exceed or even approximate the chartered rate for tramp steamers, large shippers immediately protect themselves by the employment of tramps for the transportation of their shipments. Small individual shippers who can not accumulate merchandise in quantities sufficient to justify the charter of tramp steamers are at such times served by charter brokers, who are always ready, when rates by the regular lines advance to such a point that a profit can be made by charter, to lay chartered ships on the berth, themselves accumulating the shipments of numbers of small merchants, who by this means can always protect themselves against oppression." (Vol. 2, p. 1363.)

Despite the great increase in ocean rates in recent years the great majority of leading exporting and importing houses which have expressed their views on the subject to the Committee consider the present rates charged by the steamship lines as fairly reasonable when compared with charter rates prevailing the world over, and taking into consideration the capital invested, the increased cost of operation, the better character and greater speed of the vessels, the greater regularity of sailings, the maintenance of depreciation and sinking funds, the facilities of the ports of call, and the frequent absence of return cargo. While

many of the firms express a desire for a lower level of rates than exists today, provided they are uniform, they frankly admit that the present high rates, as long as they are steady over considerable periods of time and equally applicable to all without rebates or other special favors, do not militate against them nearly so much as would a lower level of rates if the same was a fluctuating one and was accompanied by irregularity in sailings. Moreover, the large increase in the number of steamers and in their size during the past 15 years in nearly all divisions of our foreign trade is pointed to as showing the desire of the lines to keep pace [309] with the growth of the country's export trade. It was also the general assertion that the regular lines give shippers advantages as contrasted with 'tramp' steamers. Not only are their rates uniform and their sailings reasonably regular, but their steamers are faster and their service better, and in the main these advantages overbalance the increase in rates.

III. *Uniform freight rates secured to all merchants.*—Uniform rates protect the small against the large shippers, and relieve all shippers from the effects of underhanded discrimination. Under open competition powerful shippers, or combinations of shippers, can obtain preferential rates, while under a system of cooperation it is not to the interest of the conference to give special terms to powerful clients. Rate wars are detrimental to the interests of small shippers because the object in every rate war is to obtain the freight of large shippers by offering special rates. The inevitable result of rate wars is a gradual monopolization of the trade in given commodities by the more powerful shippers.

Almost without exception, the testimony before the Committee of conference line representatives shows

that it is the purpose of their lines to charge uniform rates and to extend equal opportunities to all shippers. Practically all shippers, also, who in their statements to the Committee were favorable to agreements and conferences, took the view that to maintain equal treatment toward small and large shippers it is absolutely necessary that steamship lines should be allowed to cooperate, and that the improvement toward greater fairness between shippers is due to the fact that the lines have cooperated. Competition in the steamship business was regarded by them as the demoralization rather than the life of trade; as the means of introducing uncertainty instead of certainty, and inefficiency instead of efficiency; and that, inevitably, while all shippers are placed ultimately at a disadvantage through open competition, the small shipper fares much worse than his stronger competitor.

IV. *Prevent the elimination of weaker lines in the various trades.*—Unrestricted competition, based on the survival of the fittest, tends to restrict the development of the lines and in the end results in monopoly. Just as rate wars result in the monopolization of trade by the larger shippers, so also do they result in the monopolization of the carrying trade by one or a few of the most powerful carriers. [301] This is especially true in the long-voyage trade where pooling becomes desirable. Here equal rates can not be charged by all the lines in a given trade unless all are equal in speed and equipment. High-class freight, paying the most remunerative rates, would go to the best ships, while the least remunerative cargo would be shipped by the inferior boats. As reported by the New York Committee of steamship representatives: "By means of pooling the weaker line is compensated for its failure to obtain a fair share of the more re-

munerative goods and by living alongside the strong line adds to the total of the shipping facilities which the trade may reasonably require." (Vol. 2, p. 1368.)

In addition to the combinations by agreement there are numerous instances of consolidations among steamship lines by actual amalgamation or through stock control of subsidiaries. (The most notable examples of such consolidations are the International Mercantile Marine Co., the Royal Mail Steam Packet Co., the Hamburg-American Lines, and Furness, Withy & Co.) This movement toward actual consolidation by ownership, various witnesses have emphasized, would have taken place more rapidly and on a much larger scale if the making of steamship agreements and conferences had been impossible. In the absence of cooperation through written or oral agreements, according to these witnesses, only two alternatives present themselves, viz, consolidation by actual ownership or the elimination of the weaker lines through cut-throat competition.

V. *Maintenance of rates from the United States to foreign markets on a parity with those from other countries*, thus enabling American merchants to compete successfully with foreign merchants. It has been the contention of all the conference line representatives who have appeared before the Committee that their lines make every effort to keep American rates to foreign markets on a parity with European rates. The Committee has received only 27 complaints from exporting interests charging that American and European rates to the same destination are not kept on a parity to the detriment of their business; and it should be noted that less than half of these complaints present any definite date tending to confirm the complainant's charge. A majority of the complaints are general in character and merely call attention to the

desirability of having some properly constituted authority [302] investigate this subject from time to time. In answer to these charges the New York Committee of steamship line representatives maintains that—"while occasional differences arise, as a rule shippers are not charged higher rates from this country than shippers in Europe are called upon to pay on the same commodity. In this respect the lines running from ports of the United States are at a decided disadvantage compared with the European services, because the classes of cargo offered from American ports are of lower grade than those received by the European lines. A ship sailing from Europe will obtain better freight earnings because it carries a larger percentage of high-class cargo, while the expenses incurred in United States ports are always considerably higher than those of a vessel loaded at European ports. Besides, many of the lines running from this country to foreign ports, unlike the European lines, obtain no return cargoes, and are obliged to return to our ports either directly in ballast, or via some other loading port. These facts tend to increase the running expenses of the American services and would therefore justify a somewhat higher freight rate from American ports."

VI. *Reduction in the cost of service, eventually resulting in lower freight rates for a high standard of service.*

1. By eliminating wasteful competition among the lines, thus reducing the aggregate cost of service of all the lines.

2. By arranging the order of the sailings of the several lines at definite dates, and by regulating the sailings of the vessels of the various lines in such a manner as to prevent a number of vessels calling at ports which require only one at a given date.

VII. *Cost of service can be more economically distributed over the traffic so as to develop the trade.*

1. By reducing rates on articles where the rate would bear too heavily, and securing compensation on other items where the value and size justify the same.

2. By enabling the lines to view the trade "not only as it is, but as it may become." Certain ports may be placed on a reasonable footing in freight rates, although the present movement of freight would warrant much higher rates. This is especially true where pooling is practiced. "In connection with the operation of a steamship conference," as reported by the New York Committee, "pooling is nothing more than an equalization of expenses and earnings by the component members of a conference with the object that the conference shall furnish all the facilities that are demanded for the transportation both of profitable and unprofitable cargo and for the accommodation of the least profitable as well as the most profitable ports. Under its operations regularity of service is maintained, whether full cargoes are offered or not, whether the cargoes offered at any particular time be [303] of a more or a less profitable kind, and whether the going rates as embodied in the tariff be profitable as compared with the general market value of tonnage or not; it enables the conferees to give service within the area of the conference operations at small or unimportant ports, often at a loss, which would have to be neglected unless such loss could be equalized by being brought into a division of the earnings with the other vessels which serve the more important ports. The conferees, in substance and effect, become partners for the purpose of supplying tonnage for the particular trade in which the pool operates, and they divide their earnings and losses in proportion to the capital represented by tonnage which is furnished to

supply the needs of the trade." (Vol. 2, pp. 1367–1368.)

3. By increasing the number of sailings to the smaller ports. On most routes there are many ports of destination which should be served, and no one owner could serve all except at great expense, such as extra steaming and port charges, and by greatly prolonging the voyage to the dissatisfaction of consignees. The natural tendency where all lines are competing would be for each owner, in order to compete in rates and speed, to avoid extra expenses and loss of time by not calling at the comparatively unimportant ports. Without pooling, it is asserted, the United States would have no direct communication today with many of the minor ports throughout the world whose aggregate trade with this country is very considerable. If the pooled lines, however, have agreed to compensate each other for the losses, these undesirable ports will be served as may be reasonably required.

4. By equalizing the earnings on large contracts over the members of a joint service. As expressed by the New York Committee, "our large manufacturers and exporters have extensive outstanding contracts for the supply of rails, locomotives, car material, bridge work, oil, etc., to various ports. No one service alone could possibly handle such products. Shippers are often obliged at stated periods to make large shipments of a kind of material which would be quite unsuitable for a steamer, such as rails, on which the earnings would be much below those of succeeding steamers which would carry other portions of construction material covered by the same contract, the rates for which would be far more remunerative. Only a joint service which could equalize the earnings under the whole contract would carry the materials

covered by these large contracts without charging freight rates so prohibitive as to deprive the American manufacturer of the opportunity of securing the contracts in competition with foreign manufacturers. So the conference lines are able to maintain their schedules and provide for the export trade even at a loss to the individual ship." (Vol. 2, pp. 1368-1369.)

[304] DISADVANTAGES OF SHIPPING CONFERENCES AND AGREEMENTS, AS NOW CONDUCTED.

1. *The monopolistic nature of such conferences and agreements.*—Nearly all the objections advanced against steamship agreements relate to the limited monopoly, at least, which the conference lines are able to exercise over the trade in their respective areas. Briefly outlined the objections advanced under this heading are the following:

1. All monopolies are liable to abuse, and in our foreign carrying trade the monopoly obtained by the conference lines has not been subjected to any legal control. While carriers by land are supervised and must conform to statutory requirements in the matter of rates and treatment of shippers, steamship companies, through private arrangements, have secured for themselves monopolistic powers as effective in many instances as though they were statutory. Even granting the advantages claimed for steamship conferences and agreements, all may be withdrawn in the absence of supervisory control without the shippers having any redress or protection. The lines are under no legal obligation to continue these advantages. They exercise their powers as private combinations and are apt to abuse the same unless brought under effective governmental control.

2. The primary object of such conferences and agreements is to prevent new lines from being or-

ganized in a trade and to crush existing lines which refuse to comply with the conditions prescribed by the combination, or which, for other reasons, are not acceptable as members of the conference. The methods which have been adopted from time to time to eliminate competition show the futility of a weak line attempting to enter a trade in opposition to the combined power of the established lines when united by agreement. By resorting to the use of the "fighting ship," or to unlimited rate cutting, the conference lines soon exhaust the resources of their antagonists. By distributing the loss resulting from the rate war over the several members of the conference, each constituent line suffers proportionately a much smaller loss than the one line which is fighting the entire group. Moreover, the federated lines can conduct the competitive struggle with the comfortable assurance that, following the retirement of the competing line, they are in a position to reimburse themselves through an increase in rates. To allow conferences, therefore, generally means giving the trade to the lines now enjoying it. Only a [305] powerful line can hope to fight its way into the trade, and with the inevitable result, if successful, that it will join the combination or be allowed to exist by virtue of some rate understanding.

3. Conference Lines, it was asserted to the Committee, are enabled to arrange rates arbitrarily, both with reference to the general level and particular commodities; and the rates now charged were considered excessive[1] when compared with rates (1) charged by

[1] In answer to the summary (vol. 2, pp. 1403-1404) of the many complaints received by the Committee to the effect that the rates are unduly high and that the recent advances in rates have been so out of proportion to the increase in the cost of operation or the demand for additional tonnage as to show the absence of all competition in rates, the New York Committee of Conference Line Representatives makes an emphatic denial that

tramp or chartered steamers, or (2) previously charged by line steamers in the same trade, or (3) charged by lines in other trades, or (4) when considered in relation to the profits of the companies. This complaint, how-

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the recent rise in rates has been arbitrary, and has been effected by the combinations of lines with that purpose in view. This Committee maintains that "prior to 1911, freight rates had dropped to a figure previously unknown, entailing heavy losses on the regular lines, which had the choice of continuing their services or withdrawing from the business in which they had long been engaged. Competition among tramp owners produced a low level of rates, and as soon as the world's trade got ahead of the tonnage available, tramp steamers were put in a position where they could advance their rates beyond anything that had been experienced in recent years." It is also the contention of the Conference Line Representatives that in the enormous rise in ocean rates during recent years, the rates charged by the regular lines at no time rose to the level of the tramp freight market, and "were less than what the regular lines could have earned if they had withdrawn their steamers from their established services and chartered or placed them in other trades." As showing the enormous rise in the charter rates of tramp steamships, not working under any agreement or conference, the following represents in part the data furnished by the New York Committee:

Illustrations.	*Increase in the rate from.*
Petroleum in cases from New York to four ports in Australia.	17¢ per case, June 1908 to 35¢ in February, 1913.
Cotton from Savannah to Liverpool, Havre, and Bremen.	26/3 per net registered ton in Aug. 1908 to 58/9 in Nov. 1912.
Lumber from the Gulf to the River Plate.	95/- per standard in Nov. 1908, 125/- in Sept. 1911, and 192/6 in Nov. 1912.
Cotton from the Gulf to U. K. or Continent on net form charters.	8/6 per ton D. W. of steamer in Nov. 1908 to 25/- in Nov. 1912.
Sugar from Cuba to New York.	7¢ per 100 lbs. in Jan. 1908 to 17¢ in Nov. 1912.
Time charter from Baltimore to Glasgow.	3/3 per ton of total dead weight capacity in August, 1908 to 8/6 in August 1913.
Full cargoes of grain from Baltimore to Rotterdam.	1/3 per qr. of 480 lbs. in September 1908 to 3/6 in Jan. 1913.

ever, necessitates the difficult task of determining what constitutes a "reasonable rate," involving a study of—

(a) The factors that influence the rise and fall of the general level of rates.

(b) The differences in the nature of the service rendered by liners and tramps.

[306] (c) The character of the vessel and the expensiveness of operating the same.

(d) The stability of rates over a long period of time, chartered rates fluctuating much more violently.

(e) The different conditions surrounding each trade route as regards the nature of the service, the quantity of the cargo, and the opportunity for effecting combination cargoes.

(f) What constitutes a fair profit to the line, all factors considered.

4. Conference lines, through their monopolistic powers, so completely dominate the shippers with whom they deal that these shippers can not afford, for fear of retaliation, to place themselves in a position of active antagonism to the lines by openly giving particulars of their grievances. This condition is well illustrated by the frequency with which communications, addressed to the Committee, referred to the confidential nature of the information furnished. The various lines, constituting a conference, have the same interests and their organization is effective. Shippers, on the contrary, live far apart, and because of their different and frequently antagonistic interests can only combine for mutual protection with the greatest difficulty.

5. Conference lines, in view of the absence of competing lines, sometimes seem indifferent to the landing of freight in proper condition. A considerable number of shippers have complained to the Commit-

tee that they have experienced endless difficulty in collecting honest claims for damaged goods, loss of goods, or overcharges, and that the lines in some cases are extremely arbitrary in making settlements.

6. Conference lines are apt to become increasingly powerful within their respective areas, even to the extent of controlling the tramp traffic, until their limited monopoly of today will become practically unrestricted. It is argued that this tendency has been apparent in various trades and that, when the monopoly is complete, the lines will appropriate the advantages gained to themselves.

II. *In some conferences the lines have arbitrarily increased their rates without giving due notice to the trade*, thus causing heavy losses on contracts for future delivery, which were based on the freight rates prevailing at the time the contracts were made.

[307] III. *Steamship conferences and agreements as now conducted are in most instances secret*, and shippers have no means of knowing whether the conditions claimed by the lines for such conferences and agreements are true or not. Conference and rate agreements, and pooling arrangements, should be made with the full knowledge of some legally constituted authority in order (1) to safeguard the interests of shippers and (2) to make it possible for shippers to file complaints without fear of retaliation.

IV. *Some lines grant special rates to large shippers under contracts based on such large quantities of freight that small shippers can not possibly furnish an equal amount, thus discriminating between shippers and preventing competition.*

V. *Some of the conference lines do not observe the customary conference usages in respect to the equal treatment of shippers in rates and special accommodations.*

VI. *The policy of many conference lines not to publish their tariffs or classifications,* although such publication would prove a great convenience to shippers and would constitute a guarantee that rates were not altered or articles transferred from one class to another, for the benefit of favored shippers.

VII. *That deferred rebate systems are objectionable and should be prohibited for the following reasons:*

(1) By deferring the payment of the rebate until three or six months following the period to which the rebate applies ship owners effectively tie the merchants to a group of lines for successive periods. In this connection it is argued that the ordinary contract system does not place the shipper in the position of continual dependence that results from the deferred rebate system.

(2) That the system is unnecessary to secure excellence and regularity of service, a considerable number of conferences being operated today without this feature.

LEADING RECOMMENDATIONS OF WITNESSES FOR PROPOSED LEGISLATION

Government regulation of carriers engaged in the American foreign trade.—The consensus of opinion, as expressed in the testimony of witnesses and in the numerous communications received by the Committee from shippers, is overwhelmingly in favor of some form of [308] government regulation of steamship carriers engaged in this country's foreign trade. Nearly all the steamship line representatives, who appeared before the Committee, expressed themselves as not opposed to government supervision which is reasonable and which is limited to the requirements of

full publicity and approval of all agreements or arrangements which steamship lines may have entered into with other steamship lines, with shippers, or with other carriers and transportation agencies. On the other hand, the shippers who appeared as witnesses, or otherwise submitted recommendations for proposed legislation, were in the great majority of instances favorable to a comprehensive system of government supervision, sufficiently broad to embrace the regulation of rates without actually fixing them, the approval of contracts, agreements and arrangements, and the general supervision of all conditions of water transportation which vitally affect the interests of shippers. While few of the shippers who communicated with the Committee by letter (and the same may be said of witnesses) attempted to specify the details of their recommendations, they are almost a unit in stating that they are convinced of the desirability of having the Interstate Commerce Commission, or a similar commission, exercise a general supervisory power over foreign water carriers and enforce among the conference lines at all times the various contentions which they have claimed for themselves during the hearings before the Committee. It is noteworthy that only five of the many communications received by the Committee, which were unfavorable to steamship agreements and conferences as now conducted, display an attitude of hostility toward government regulation. In fact, many of the communications received from shippers make it clear that the writers regard the contentions of the conference line representatives as advantageous to shipper and shipowner if they are honestly and fairly carried out, but state that their experience has been to the effect that, once the combination of lines is established, it is apt to be used in an arbitrary and unfair way by favoring some large

corporation or friend to the detriment of other shippers. Such discriminations and arbitrary treatment, it is believed, can only be eliminated by the establishment of some legally constituted authority which is empowered to hear complaints and to order the discontinuance of abuses.

[309] *Impracticability of filing rates with the government and requiring a period of notice before changing the same.*—With few exceptions, steamship representatives and shippers, who testified before or communicated with the Committee, were opposed to legislation which would require the steamship lines engaged in our foreign trade to file their rates with the government and be obliged to change the same until after a certain period of notice to make a change has been given. Such a policy was generally regarded as impossible, in view of the ever present competition of tramp vessels in our international trade, unfair to the regular lines which require protection against the attacks of such tramp vessels, and particularly objectionable to American exporters, who in competing with foreign markets, are often dependent upon an immediate and favorable freight rate quotation in order to close their contracts. In support of this contention the following arguments were emphasized before the Committee:

(1) The nature of the steamship business is so essentially different from that of the railroads that any limitation upon the freedom of ocean carriers to change their freight rates promptly to fit the changing conditions of the freight market would prove injurious to shipowners, shippers and consignees. As pointed out by the New York Committee:

> Ocean freight rates vary not merely from month to month, but from day to day and from hour to hour, especially with reference to the

great staples which are traded in on the exchanges. The difference of a fraction of a cent in the freight rate may mean the loss of a contract to a merchant or manufacturer at an interior point in the United States who is competing with manufacturers and merchants in other countries. In the development of new countries the American manufacturer of steel cars, locomotives, car materials, bridge work, etc., is competing not only with merchants in this country but with Canada, Russia, Australia and Argentina. Unless the carriers are free to quote such merchants freight rates which will enable them to compete successfully with the business of the merchants of other countries the lines will suffer serious detriment. (Vol. 2, p. 1373.)

(2) World conditions govern ocean transportation. While steamship agreements and conferences admittedly limit competition among the parties to the agreement or the members of the conference, many bulk articles are carried by tramp vessels which operate wherever freight is offered and at constantly changing rates, and no law can with justice restrict the operations of the so-called regular lines and not at the same time be made applicable to the tramp.

[340] (3) The fixing of hard and fast rules in the naming of rates in ocean transportation is impracticable because the unit of transportation by water is the total capacity of the ship, and, unlike the practice in rail transportation, it is impossible to cut off any tonnage space when its use is found unnecessary. Since the ship must be considered a unit, any restraint upon the lines in the naming of their rates would seriously interfere with the economical and safe loading of the vessels and the proper combination of weight and measurement cargo. Numerous steamship representatives have testified to the effect that certain classes

of freight, such as grain, must frequently be secured on short notice and at greatly reduced rates in order to properly load the vessels to their marks.

(4) The position of steamship lines differs from that of railroads in that the vehicle of carriage has a charter value which must always be kept in mind. Moreover, railroads enjoy property rights acquired often at the expense of the state, operate by virtue of special privileges, and should therefore be held to the performance of the functions for which they were created. Steamship lines, on the other hand, are not tied like the railroads to a definite route of travel, i. e., vessels are not fixtures in any trade and are not limited in their operation to any fixed line. They have received no public aid or franchise, are essentially enterprises of a private nature, and are not bound to maintain a definitely prescribed service. The vessels may come and go by whatever route or in whatever direction they please and the only incentive to engage in any particular trade is to develop that trade to a point where the profit will justify the operation of a regular and continuous service. In view of these circumstances, it is argued, steamship lines can not be bound to an impossible proposition, and if the fixing of rates should result in the imposition of conditions which embarrass a particular trade, or render it less profitable, it is but natural that the vessels would be transferred to trades where commerce is unrestrained and yields the largest profit. It was the consensus of opinion of the leading steamship line representatives that any attempt to prescribe rates would cause a serious setback to our export trade; that no legislation could be enacted which could compel the lines to operate a stated number of vessels and a service of prescribed efficiency; and that unless the lines are allowed to transact

their business with the freedom believed neces- [
sary. American exporters might find themselves
the unhappy position, while allowed low and fa
able rates, of being unable to procure sufficient
toms for the exportation of their goods.

Some of the leading steamship line representat
took the view that tariffs and rates might be f
with some designated commission, and be public,
vided the lines be permitted to vary from these r
whenever necessary and without notice to, or
thority from, such governmental authority. Th
according to the testimony of Mr. P. A. S. Frank
vice president of the International Mercantile Ma
Co., "the only thing we feel could possibly be don
and I do not know whether the majority of the sh
ping trade agree with me—is the question of fi
the rates at some pla e in Washington for gene
supervision to which shippers could apply and
what rates are in force at the time and what ot
people are getting. We feel there is no other w
to conduct our business except by working toget
in the manner in which we are now working."

Mr. Franklin continued to state that rebating
other discrimination between shippers in any tr
should be prohibited absolutely, and in this con
tion justified the filing of rates in the following wor

> The object in filing the rates would be t
> there is the rate of that day. We would h
> to prove in the case of any difficulty that
> offered to a shipper that rate on that day, t
> everything was equal to all, and that there w
> an equal chance to everybody to ship at t
> time. We might get all the freight we wan
> today, and we might be out of the mar
> tomorrow. (Vol. 1, pp. 625-626.)

Publicity of agreements and arrangements.—T
steamship line representatives who testified before

Committee were almost a unit in their contention that cooperation among the lines through agreements relating to rates and methods of doing business are necessary for the economical and effeient handling of our foreign trade. In view of the almost universal existence of such agreements or understandings it was the general consensus of opinion that agreements should be permitted, and that, whenever entered into, all agreements and contracts between steamship lines, or between such lines and any shipper, railroad or other transportation agency, should be filed with the government for approval, or be subject to call by the government at any time, with the understanding that the same can be ordered canceled if any feature thereof should [312] be considered wrong or unfair.[1] In

[1] The following three extracts from the testimony before the Committee will indicate the attitude of leading steamship representatives relative to the publicity of agreements:

Mr. R. P. Schwerin, Vice president of the Pacific Mail S. S. Co., testified: "I think that everybody in the foreign trade would be only too glad to file their arrangements with a designated department of the government and take up with the government any question that required further explanation or further modification, with the knowledge that the government would permit them to carry on their legitimate business without the necessity of putting in private rates and rebates; they would be only too glad to be relieved of any obligation to make private rates and pay rebates." (Vol. 2, p. 908.)

Mr. Paul Gottheil, representing Funch, Edye & Co. and Chairman of the Committee appointed by steamship line representatives to report to the Committee on the Merchant Marine and Fisheries on the advantages and disadvantages of agreements and conferences, testified: "I believe that it would meet the issue if it was only exacted that agreements should be filed. I believe furthermore, however, that what ever the department may be, they should keep these agreements and consider them as private. In England, when an investigation was held, agreements were surrendered very freely, for the simple reason that nothing was published. It does not seem fair that everybody should know

other words, they believed that the lines should be permitted to make contracts with the knowledge that the same must be filed or are subject to call, thus giving the government the power to determine the merits of any complaints that may be brought; which power should be supplemented with the right to order abuses removed and to protect the complainants against any disciplinary measures which certain lines might wish to inflict.

Publicity of agreements was supported before the Committee not only by most steamship line representatives, but had the indorsement of numerous exporting and importing firms. (Vol. 2, p. 1407.) Even witnesses like Mr. Elijah Warfield, Vice President and General Manager of the Seaboard & Gulf Steamship Co., and Mr. H. H. Haines, Traffic Manager of

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everybody else's business. I think that under these conditions publicity would meet the question and prove satisfactory." (Vol. 1, p. 384.)

Mr. P. A. S. Franklin, Vice president of the International Mercantile Marine Co., testified: "I feel that the present position of the steamship companies is rather an unfortunate one, where all their agreements are looked upon with suspicion, more because the other fellow does not know what is in them than because of what is really in them, and I think, as far as agreements pertaining to business from the United States are concerned, it would not be at all prejudicial to business to have them filed. . . . I do not see any serious objection to publicity, because I believe that all these agreements that so much fuss has been made about are all absolutely reasonable and good economic propositions for the commerce of the United States both east and west bound. If they are not, that is all the more reason why they should be known; that is why I am in favor of filing the eastbound agreements. I do not like to say anything about the westbound situation. It is not one we have any control over here; but as far as the eastbound situation is concerned we do practically control that, and I see no objection to filing the agreements and filing our rates of freight. I do see very serious obstacles and objections to having rates fixed and not subject to change without notice." (Vol. 1, pp. 626, 627.)

the Galveston Commercial Association, whose testimony was unfavorable to agreements and conferences as now conducted, regarded it as absolutely essential that lines engaged in the foreign trade should be permitted to enter into some sort of [313] cooperative agreement, but that all arrangements should be known to the government and be subject to its regulation. The great majority of the supporters of publicity, however, took the view that the agreements, when obtained by the government, should be kept private and not advertised broadcast on the ground that it is unfair for every line to know every other line's business.

Other recommendations.—The remaining suggestions offered to the Committee for proposed legislation deal primarily with the elimination of discrimination between shippers. Briefly stated, it was the consensus of opinion that discrimination between shippers in the matter of rates and cargo space should be absolutely prohibited, and that the relations between the lines and shippers should not be the subject of private and secret negotiations between the parties. Although the difficulty of enforcement was generally admitted, it was frequently suggested that the lines should be compelled to accept cargo from all shippers when offered with due regard to the proper loading of the vessel and the tonnage available, and should be prohibited from refusing accommodations to any shipper by way of retaliation because he may have shipped by an independent line, or may have filed a complaint charging unfair treatment, or for other unjust reasons.

While rebating, as commonly understood, was universally condemned, there was considerable division of opinion as to the desirability of permitting the use of deferred rebate systems. Most of the conference line

representatives, on the one hand, uphold the use of such rebates, especially in the long-distance trades, on the plea that they are equally available to all shippers, irrespective of the size of shipments, and are often necessary to the protection of the lines (which in order to furnish a regular, speedy and efficient service at uniform rates must be assured of the constant support of the shippers in the given trade) against sporadic attacks of tramp vessels which have no permanent interests to conserve and which, unless shippers can be prevented from patronizing them, can easily disorganize and make unprofitable a regular line service. On the other hand, the witnesses identified with independent steamship line projects, such as Messrs. Sidney Story, William Lowry, and Joseph J. Slechta, strongly opposed such rebates, even though they apply only to our import trade, on the ground that they effectively preclude any independent line from obtaining return cargo, thus making it [314] impossible for the line to realize anything but a heavy loss on the round voyage. It should be stated here that small shippers must depend to an increasing extent upon regular line services, and that the tramp vessel is rapidly becoming the carrier for large bulk cargoes. Most of the important complaints from shippers against deferred rebates have come from large firms whose shipments are frequently of such size as to justify the employment of tramp steamers. These firms object to being tied to the regular lines to the exclusion of the use of tramps. In other words, they wish to employ a tramp whenever it suits their convenience, at the same time insisting that the regular lines, whose service is naturally dependent upon the regular support of shippers, be ready at all times to take their shipments when they do not desire to use tramps, i. e., they insist on the regular lines carrying

out their promises relative to speed, good service and regularity, without, however, being able to rely upon the shippers' constant support. [281–314]

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[413] RECOMMENDATIONS OF THE COMMITTEE.

[415] The resolution (H. R. 587) under which the Committee has been investigating shipping combinations directs the Committee "to report to the House all facts disclosed by said investigation, and what legislation, if any, it deems advisable in relation thereto." In compliance with the directions of the resolution relating to legislation, the Committee submits the following recommendations:

RECOMMENDATIONS RELATING TO WATER CARRIERS ENGAGED IN THE FOREIGN TRADE.

The facts contained in the foregoing report show that it is the almost universal practice for steamship lines engaging in the American foreign trade to operate, both on the in-bound and out-bound voyages, under the terms of written agreements, conference arrangements or gentlemen's understandings, which have for their principal purpose the regulation of competition through either (1) the fixing or regulation of rates, (2) the apportionment of traffic by allotting the ports of sailing, restricting the number of sailings, or limiting the volume of freight which certain lines may carry, (3) the pooling of earnings from all or a portion of the traffic, or (4) meeting the competition of nonconference lines. Eighty such agreements or understandings, involving practically all the regular steamship lines operating on nearly every American foreign trade route, are described in the foregoing report. (For a full classification of these agreements see pp. 281 to 295 of the report.) The report also presents the economic advantages and

disadvantages of steamship agreements and conference arrangements as presented to the Committee by steamship line representatives and the exporting and importing interests of the United States. (For a full classification of the advantages and disadvantages see pp. 295 to 307 of the foregoing report.)

In formulating its recommendations it became apparent to the Committee, in view of all the facts presented, that only two courses of action were open for adoption. Either the agreements and understandings, now so universally used, may be prohibited with a view to attempting the restoration of unrestricted competition, or the same may be recognized along lines which would eliminate existing [416] disadvantages and abuses. It is claimed that the adoption of the first course—the prohibition of cooperative arrangements between practically all the lines in nearly all the divisions of our foreign trade—would not only involve a wholesale disturbance of existing conditions in the shipping business but would deprive American exporters and importers of the advantages claimed as resulting from agreements and conferences if honestly and fairly conducted, such as greater regularity and frequency of service, stability and uniformity of rates, economy in the cost of service, better distribution of sailings, maintenance of American and European rates to foreign markets on a parity, and equal treatment of shippers through the elimination of secret arrangements and underhanded methods of discrimination. (A classification of the advantages claimed as resulting from the aforementioned factors is presented on pp. 295 to 303 of the foregoing report.)

These advantages, the Committee believes, can be secured only by permitting the several lines in any given trade to cooperate through some form of rate

and pooling arrangement under Government supervision and control. It is the view of the Committee that open competition cannot be assured for any length of time by ordering existing agreements terminated. The entire history of steamship agreements shows that in ocean commerce there is no happy medium between war and peace when several lines engage in the same trade. Most of the numerous agreements and conference arrangements discussed in the foregoing report were the outcome of rate wars, and represent a truce between the contending lines. To terminate existing agreements would necessarily bring about one of two results; the lines would either engage in rate wars, which would mean the elimination of the weak and the survival of the strong, or, to avoid a costly struggle, they would consolidate through common ownership. Neither result can be prevented by legislation, and either would mean a monopoly fully as effective, and it is believed more so, than can exist by virtue of an agreement. Moreover, steamship agreements and conferences are not confined to the lines engaging in the foreign trade of the United States. They are as universally used in the foreign trade of other countries as in our own. The merchants of these countries now enjoy the foregoing advantages of cooperative arrangements, and to restore open and cutthroat competition among the lines serving the United States would place [417] American exporters at a disadvantage in many markets as compared with their foreign competitors.

Steamship line representatives, as well as the patrons of the lines, were almost a unit in emphasizing to the Committee the importance and necessity of the aforementioned advantages of agreements and conferences, and in asserting that these advantages can only be effected by permitting the several lines in a

given trade to cooperate in the regulation of their rates and the expeditious handling of their business. Very few of the many exporters and importers, who communicated with the Committee, were opposed to agreements and conferences in themselves, provided they are fairly and honestly conducted. Many, however, objected to the secrecy with which agreements and conferences are now conducted; and stated that, while the advantages must be admitted, they have no assurance and no means of knowing whether the conditions claimed for agreements and conferences are always fulfilled. A considerable number of complaints were also filed with the Committee objecting to excessive rates, discrimination between shippers in rates and cargo space, indifference to the landing of freight in proper condition, arbitrariness in the settlement of just claims, failure to give due notice to shippers when rates were to be increased, refusal to properly adjust rates as between various classes of commodities, and the unfairness of certain methods—such as fighting ships, deferred rebates, and threats to refuse shipping accommodations—used by some conference lines to meet the competition of nonconference lines. Unfortunately the truth of many of these complaints could not be ascertained because of the confidential nature of the information furnished. As pointed out in the report (p. 306), it seemed to be the general impression among shippers who filed complaints with the Committee that the conference lines—

> so completely dominate the shippers with whom they deal that these shippers can not afford, for fear of retaliation, to place themselves in a position of active antagonism to the lines by openly giving particulars of their grievances.

While admitting their many advantages, the Com-

mittee is not disposed to recognize steamship agreements and conferences, unless the same are brought under some form of effective government supervision. To permit such agreements without government supervision would mean giving the parties thereto unrestricted right of action. [418] Abuses exist, and the numerous complaints received by the Committee show that they must be recognized. In nearly all the trade routes to and from the United States the conference lines have virtually a monopoly of the line service.

All monopolies—

As pointed out in the foregoing report (p. 304)—

> are liable to abuse, and in our foreign carrying trade the monopoly obtained by the conference lines has not been subjected to any legal control. While carriers by land are supervised and must conform to statutory requirements in the matter of rates and treatment of shippers, steamship companies, through private arrangements, have secured for themselves monopolistic powers as effective in many instances as though they were statutory. Even granting the advantages claimed for steamship conferences and agreements, all may be withdrawn in the absence of supervisory control without the shippers having any redress or protection. The lines are under no legal obligation to continue these advantages. They exercise their powers as private combinations and are apt to abuse the same unless brought under effective government control.

The Committee believes that the disadvantages and abuses connected with steamship agreements and conferences as now conducted are inherent, and can only be eliminated by effective government control; and it is such control that the Committee recommends as the means of preserving to American exporters and importers the advantages enumerated, and of preventing the abuses complained of.

The consensus of opinion (see pp. 307 to 308 of the Report)—

As expressed in the testimony of witnesses and in the numerous communications received by the Committee from shippers—

> is overwhelmingly in favor of some form of government regulation of steamship carriers engaged in this country's foreign trade. Nearly all the steamship line representatives who appeared before the Committee, expressed themselves as not opposed to government supervision which is reasonable and which is limited to the requirements of full publicity and approval of all agreements or arrangements which steamship lines may have entered into with other steamship lines, with shippers, or with other carriers and transportation agencies. On the other hand, the shippers who appeared as witnesses, or otherwise submitted recommendations for proposed legislation, were in the great majority of instances favorable to a comprehensive system of government supervision, sufficiently broad to embrace the regulation of rates without actually fixing them, the approval of contracts, agreements, and arrangements, and the general supervision of all conditions of water transportation which vitally affect the interests of shippers. While few of the shippers who communicated with the Committee by letter (and the same may be said of witnesses) attempted to specify [419] the details of their recommendations, they are almost a unit in stating that they are convinced of the desirability of having the Interstate Commerce Commission, or a similar commission, exercise a general supervisory power over foreign water carriers and enforce among the conference lines at all times the various contentions which they have claimed for themselves during the hearings before the Committee. It is noteworthy that only five of the many communica-

tions received by the Committee, which were unfavorable to steamship agreements and conferences as now conducted, display an attitude of hostility toward government regulation. In fact, many of the communications received from shippers make it clear that the writers regard the contentions of the conference line representatives as advantageous to shipper and shipowner if they are honestly and fairly carried out, but state that their experience has been to the effect that, once the combination of lines is established, it is apt to be used in an arbitrary and unfair way by favoring some large corporation or friend to the detriment of other shippers. Such discriminations and arbitrary treatment, it is believed, can only be eliminated by the establishment of some legally constituted authority which is empowered to hear complaints and to order the discontinuance of abuses.

Relative to such supervisory control by the government of steamship carriers in the foreign trade of the United States, the Committee offers the following recommendations:

(1) That navigation companies, firms or lines engaged in the foreign trade of the United States be brought under the supervision of the Interstate Commerce Commission as regards the regulation of rates, the approval of contracts entered into with other water carriers, with shippers, or with American railroads and other transportation agencies, and such other conditions of water transportation as affect the interests of shippers. The Committee has had under consideration the recommendation of a separate Commission for this purpose, but believes that in view of the close relations existing between rail and water transportation, it would be best to entrust the supervisory control to the Interstate Commerce Commission. If found necessary, in view of the added duties

involved in the extension of the Interstate Commerce Commission's jurisdiction to water transportation in accordance with the recommendations to follow, the Committee further recommends that the membership of the Commission be enlarged.

(2) That all carriers engaged in the foreign trade of the United States, parties to any agreements, understandings, or conference arrangements hereinafter referred to, be required to file for approval with the Interstate Commerce Commission a copy of all written agreements [420], (or a complete memorandum if the understanding or agreement is oral) entered into (1) with any other steamship companies, firms, or lines engaged directly or indirectly in the American trade, or (2) with American shippers, railroads, or other transportation agencies. All modifications and cancellations of such agreements or understandings as may be made from time to time should also be promptly filed. The Commission should be empowered to order canceled any such agreements, or any parts thereof, that it may find to be discriminating or unfair in character, or detrimental to the commercial interests of the United States.

(3) That the Interstate Commerce Commission be empowered to investigate fully complaints charging the unreasonableness or unfairness of rates, or to institute proceedings on its own initiative, and to order such rates changed if convinced that the rate under consideration is unreasonably high, or discriminating in character as between shippers, or ports, or between exporters of the United States and their foreign competitors; and to order restitution to shippers of all sums collected in excess of reasonable rates. This recommendation is also intended to extend to the supervision of freight classifications used by the lines, and the investigation of complaints charging refusal

on the part of any carrier to properly adjust the rates between classes of commodities.

The committee realizes that the steamship business differs essentially from that of the railroads (for those differences see pp. 309 to 311 of the Report), and that it might prove injurious to both ship owners and American exporters to require the lines to file their rates and not be permitted to lower the same until after a stipulated period of notice to change rates had been given. On the other hand, the committee feels that in the absence of government control steamship combinations may in many instances have it within their power to arbitrarily raise rates to an unreasonable degree both as regards the general level and in the case of particular commodities; or, if they so desire, to fail in maintaining rates from the United States to foreign markets on a parity with those from other countries. It is not the purpose of this recommendation to prevent steamship lines from promptly lowering their rates to meet competitive conditions and thus to favor American exporters, who, in competing with foreign markets, often find it necessary in order to close their contracts to have quoted an immediate and favorable rate; but the purpose of the law [421] should be to protect the shipper against any unreasonably high rate which the combination lines may have within their power, by virtue of their agreements and conference arrangements, arbitrarily to impose in the absence of government supervision and control.

(4) That rebating of freight rates to shippers be made illegal; and that, with due regard to the proper loading of the vessel and the tonnage available, discrimination between shippers, or ports, in the matter of rates and space accommodations be prohibited. In this connection it is the belief of the committee that water carriers should be required to charge equal

rates to all shippers, irrespective of the volume of freight offered for shipment.

(5) That the Interstate Commerce Commission be empowered to investigate fully all complaints (or to undertake such investigation on its own initiative) charging (1) failure on the part of any carrier to give reasonable notice of increase in rates, (2) unfair treatment of shippers in the matter of cargo space and other facilities, (3) the existence of discriminating or unfair contracts with certain shippers, and (4) unfairness in the settlement of claims and indifference to the landing of freight in proper condition. In this connection the Commission should be empowered to order the discontinuance of all unfair or discriminating practices which it may find to exist, and to adopt whatever measures it may deem necessary to protect the complainant against retaliation.

(6) That the use of "fighting ships" and deferred rebates be prohibited in both the export and import trade of the United States. Moreover, all carriers should be prohibited from retaliating against any shipper by refusing space accommodations when such are available, or by resorting to other unfair methods of discrimination, because such shipper has patronized an independent line, or has filed a complaint charging unfair treatment, or for any other reason.

(7) That adequate penalties be provided to correct and prevent the abuses hereinabove set forth.

RECOMMENDATIONS RELATING TO WATER CARRIERS ENGAGED IN THE DOMESTIC TRADE.

Unlike the practice of water carriers in the foreign trade of the United States, agreements to divide the territory or charge certain rates in the domestic trade are few. Competition in rates between domestic water lines, however, has been quite as effectively

eliminated [422] as in the foreign trade and this has been accomplished by the several lines through one or more of the numerous methods discussed in Part II of the foregoing report and summarized on pp. 409 to 412. (Also see pp. 403 to 412 giving a "summary of the extent and methods of control of competition between water carriers in the domestic trade.")

The Act of August 24, 1912, providing for the opening, maintenance, protection and operation of the Panama Canal, contains provisions extending the jurisdiction of the Interstate Commerce Commission over interstate transportation which involves the carriage of property by rail and water, in the following particulars: viz., (1) to establish physical connection, where this is reasonably practicable and justifiable, between the rail carrier and the dock of the water carrier by directing either or both of the carriers to construct the connecting tracks; (2) "to establish through routes and maximum joint rates over such rail and water lines, and to determine all the terms and conditions under which such lines shall be operated in the handling of the traffic embraced"; and (3) "to establish maximum proportional rates by rail to and from the ports to which the traffic is brought, or from which it is taken by the water carrier, and to determine to what traffic and in connection with what vessels and upon what terms and conditions such rates will apply." Section 11 of the Act also provides for the divorcing of common carriers by water from the railroads under certain conditions. These legislative requirements go far toward eliminating some of the undesirable practices which were found by the Committee to exist in the domestic commerce of the United States. The Committee, however, believes, in view of the facts presented in Part II of the report, that additional

legislation is required, and wishes to offer the following recommendations:

(1) That the jurisdiction of the Interstate Commerce Commission be extended to the interstate port-to-port traffic of domestic water carriers, with full power to require all such carriers to file their port-to-port rates and to submit reports of their financial and business operations. As regards interstate port-to-port traffic the Commission should be given full power to regulate rates and to determine maximum charges.

(2) That water carriers be required to file for approval with the Interstate Commerce Commission all agreements or arrangements [423] affecting interstate transportation, whether written or oral, and all modifications or cancellations thereof, with other water carriers, with railroads or other transportation agencies, or with shippers.

(3) That the carriers be prohibited from granting rebates of any kind to shippers and from discriminating between shippers in rates, in the giving of space accommodations and other facilities, and in the making of unfair contracts based on the volume of freight offered. Water carriers should also be prohibited from using fighting ships, or deferred rebates, or from threatening or resorting to retaliatory or other unfair measures against shippers or competitors. The Interstate Commerce Commission should be empowered to adopt whatever measures it may consider necessary to protect shippers or competitors against such retaliatory methods. Water carriers, if cutting rates with a view to driving out a competitor, should be denied the privilege of restoring rates; and jurisdiction should be conferred on the Interstate Commerce Commission to determine

whether rates were cut with the object of crushing such competitor.

(4) That the Interstate Commerce Commission be empowered to investigate fully all complaints charging unfairness in the settlement of claims, and indifference to the loading and landing of freight in proper condition; and to adopt all necessary rules and regulations for the adjustment and settlement of claims.

(5) That as regards all matters relating to Interstate transportation, all traffic associations or conferences, whether pertaining to through rail-and-water transportation or to port-to-port traffic only, be brought under the supervision of the Interstate Commerce Commission. The Committee recommends that the conditions under which an outside water carrier is admitted to such associations or conferences should be approved by the Commission, and that an outside line should not be denied membership for unfair reasons or simply because the unanimous consent of existing members of the association or conference to the admission of said line cannot be obtained.

(6) That the railroads be prohibited from making the through rail-and-water route unprofitable as compared with the all-rail route by charging more for the same service on waterborne commodities than they charge for the proportionate share of the all-rail haul.

(7) That the Interstate Commerce Commission be empowered to compel railroads to allow competitive water carriers to apply effective [424] differentials. The Commission should also have full supervisory power over divisions between railroads and water carriers as regards through rail-and-water rates. The Committee recommends that rate divisions on any trade route should be opened equally to all water carriers that comply with such conditions of quality and regu-

larity of service as the Commission may determine to be reasonable.

(8) That the railroads and water carriers be required to issue through bills of lading to all interstate water carriers that meet such conditions of quality and regularity of service as the Interstate Commerce Commission may consider reasonable.

(9) That railroads be required to account separately to the Interstate Commerce Commission for the income and expenditures of interstate water lines owned or controlled by them.

(10) That railroads be required to make their terminal facilities available to water carriers on equal terms and under such reasonable conditions as the Interstate Commerce Commission may prescribe. The Committee also believes that the Federal Government should pursue a policy of not expending money in the interests of any port for harbor or channel improvements, unless that port has efficient dock facilities available to all water carriers.

(11) That there should be legislation providing for equal treatment to all shippers and water carriers by transfer and lighterage concerns when forming a link in interstate or foreign commerce.

(12) That all interstate traffic on canals be placed under the supervision of the Interstate Commerce Commission; and that the railroads be prohibited in the future from acquiring, either directly or indirectly, ownership and control of or interest in canals, or water lines, forwarding companies and other navigation facilities on such canals, when the same are used in interstate transportation.

Respectfully submitted.

J. W. ALEXANDER,
Chairman.

U. S. GOVERNMENT PRINTING OFFICE: 1951